Consolidated Financial Statements

YWCA NORTHEAST INDIANA, INC. AND AFFILIATE

Year ended December 31, 2023
with Independent Auditor's Report

YWCA Northeast Indiana, Inc. and Affiliate

Consolidated Financial Statements

Year ended December 31, 2023

Contents

HAINES, ISENBARGER & SKIBA, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

The Board of Directors
YWCA Northeast Indiana, Inc.

Opinion

We have audited the accompanying consolidated financial statements of the YWCA Northeast Indiana, Inc. and Affiliate (YWCA) (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the YWCA as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the YWCA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the YWCA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance

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with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 YWCA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the YWCA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2024, on our consideration of the YWCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of YWCA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering YWCA's internal control over financial reporting and compliance.

Haines, Isenbarger & Skiba, LLC

Fort Wayne, Indiana
August 20, 2024

YWCA Northeast Indiana, Inc. and Affiliate

Consolidated Statement of Financial Position

December 31, 2023

Assets	
Current assets:	
Cash and cash equivalents	**$ 6,506,016**
Claims receivable—net of allowance for doubtful accounts of $4,200	**1,734,753**
Contributions receivable	**480,864**
Contributions receivable for capital campaign	**27,768**
Prepaid expenses	**8,367**
Total current assets	**8,757,768**
Note receivable for sale of property	**456,250**
Investments	**551,074**
Land, buildings, and equipment:	
Land	**920,250**
Building and building improvements	**6,273,981**
Equipment	**1,036,887**
	8,231,118
Less accumulated depreciation	**805,359**
	7,425,759
Other assets:	
Contributions receivable, less current portion—net	**76,262**
Contributions receivable for capital campaign, less current portion—net	**740,497**
Note receivable under New Market Tax Credit agreement	**7,130,000**
Beneficial interest in funds held by Community Foundations	**103,116**
Beneficial interest in perpetual trust	**484,826**
Total other assets	**8,534,701**
Total assets	**$ 25,725,552**
Liabilities and net assets	
Current liabilities:	
Accounts payable	**$ 522,405**
Accrued liabilities	**231,585**
Current portion of long-term debt	**2,600,140**
Deferred income	**1,205,415**
Total current liabilities	**4,559,545**
Long-term debt, less current portion	**10,800,000**
Total liabilities	**15,359,545**
Net assets:	
Without donor restrictions	**5,239,311**
With donor restrictions	**5,126,696**
Total net assets	**10,366,007**
Total liabilities and net assets	**$ 25,725,552**

See accompanying notes.

YWCA Northeast Indiana, Inc. and Affiliate

Consolidated Statement of Activities and Changes in Net Assets

Year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and gains			
Contributions	$ 74,559	$ 706,064	$ 780,623
Contributed non-financial assets	274,200	-	274,200
Trust and estate contributions	69,663	-	69,663
United Way	80,390	-	80,390
Government grants	3,325,293	-	3,325,293
Government contracts	415,789	-	415,789
Medicaid	154,637	-	154,637
Program service fees	38,672	-	38,672
Special events:			
Proceeds	221,694	-	221,694
Less direct benefits to donors	(20,959)	-	(20,959)
Special events, net	200,735	-	200,735
Net investment return	151,257	-	151,257
Interest income	27,134	-	27,134
Gain on beneficial interest in perpetual trust	64,550	-	64,550
Gain on beneficial interest in Community Foundations	12,591	-	12,591
Miscellaneous	36,987	-	36,987
	4,926,457	706,064	5,632,521
Net assets released from restrictions	1,191,411	(1,191,411)	-
Total support, revenues and gains	6,117,868	(485,347)	5,632,521
Expenses			
Program services	3,939,716	-	3,939,716
Supporting services:			
Management and general	1,220,931	-	1,220,931
Fundraising	740,595	-	740,595
Total expenses	5,901,242	-	5,901,242
Increase (decrease) in net assets	216,626	(485,347)	(268,721)
Net assets at beginning of year	5,022,685	5,612,043	10,634,728
Net assets at end of year	$ 5,239,311	$ 5,126,696	$ 10,366,007

See accompanying notes.

YWCA Northeast Indiana, Inc. and Affiliate

Consolidated Statement of Functional Expenses

Year ended December 31, 2023

	Program Services						Supporting Services		
	Mission Advancement	**Residential Services**	**Survivor Services**	**Recovery Services**	**1894 Holdings**	**Total Program Services**	**Management and General**	**Fundraising**	**Total Expenses**
	$ 190,698	**$ 708,091**	**$ 843,126**	**$ 708,100**	**$ -**	**$ 2,450,015**	**$ 726,235**	**$ 232,803**	**$ 3,409,053**
Client welfare	**438**	**224,846**	**135,789**	**95,926**	**-**	**456,999**	**102**	**261**	**457,362**
Occupancy	**3,884**	**119,061**	**10,733**	**65,837**	**-**	**199,515**	**286,118**	**89,790**	**575,423**
Professional fees	**2,660**	**9,223**	**11,506**	**63,353**	**489,498**	**576,240**	**20,934**	**142,156**	**739,330**
Other	**4,389**	**666**	**1,253**	**708**	**26,500**	**33,516**	**19,446**	**12,205**	**65,167**
Interest expense	**-**	**-**	**-**	**-**	**27,222**	**27,222**	**125,474**	**188,550**	**341,246**
Equipment expense	**4,790**	**11,775**	**11,244**	**13,916**	**-**	**41,725**	**17,976**	**7,165**	**66,866**
Staff training and meeting	**1,282**	**3,928**	**4,735**	**6,630**	**-**	**16,575**	**10,266**	**64,424**	**91,265**
Supplies and program expense	**393**	**1,827**	**922**	**1,072**	**-**	**4,214**	**1,051**	**337**	**5,602**
Travel expense	**3,300**	**16,120**	**9,777**	**5,132**	**-**	**34,329**	**172**	**403**	**34,904**
Communications	**451**	**4,251**	**11,609**	**3,227**	**-**	**19,538**	**1,856**	**776**	**22,170**
Special events—cost of direct benefit to donors	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20,959**	**20,959**
Membership dues	**169**	**279**	**889**	**164**	**-**	**1,501**	**2,097**	**514**	**4,112**
Regional YWCA affiliation dues	**1,330**	**4,172**	**5,704**	**5,157**	**-**	**16,363**	**8,041**	**1,035**	**25,439**
Total expenses before depreciation	**213,784**	**1,104,239**	**1,047,287**	**969,222**	**543,220**	**3,877,752**	**1,219,768**	**761,378**	**5,858,898**
Depreciation	**599**	**42,522**	**1,180**	**17,663**	**-**	**61,964**	**1,163**	**176**	**63,303**
Functional expenses	**214,383**	**1,146,761**	**1,048,467**	**986,885**	**543,220**	**3,939,716**	**1,220,931**	**761,554**	**5,922,201**
Expenses included in support, revenue and gains—cost of direct benefit to donors	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(20,959)**	**(20,959)**
Functional expenses per statement of activities	**$ 214,383**	**$ 1,146,761**	**$ 1,048,467**	**$ 986,885**	**$ 543,220**	**$ 3,939,716**	**$ 1,220,931**	**$ 740,595**	**$ 5,901,242**

See accompanying notes.

YWCA Northeast Indiana, Inc. and Affiliate

Consolidated Statement of Cash Flows

Year ended December 31, 2023

Operating activities	
Decrease in net assets	**$ (268,721)**
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	**63,303**
Realized and unrealized gain on investments, net	**(111,913)**
Change in value of beneficial interests	**(50,637)**
Change in operating assets and liabilities:	
Claims receivable	**(363,594)**
Contributions receivable	**1,415,055**
Prepaid expenses	**(733)**
Accounts payable	**(45,592)**
Accrued liabilities	**28,387**
Deferred income	**1,205,415**
Net cash provided by operating activities	**1,870,970**
Investing activities	
Proceeds from sale of investments	**3,199,891**
Purchases of investments	**(738,144)**
Purchase of land, building, and equipment	**(2,619,867)**
Proceeds from notes receivable	**912,500**
Net cash provided by investing activities	**754,380**
Financing activities	
Borrowings pursuant to long-term debt arrangements	**10,631,254**
Payments on long-term debt arrangements	**(384,990)**
Payments pursuant to issuance of notes receivable under New Market Tax Credit Agreement	**(7,130,000)**
Net cash provided by financing activities	**3,116,264**
Increase in cash and cash equivalents	**5,741,614**
Cash and cash equivalents at beginning of year	**764,402**
Cash and cash equivalents at end of year	**$ 6,506,016**

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

YWCA Northeast Indiana, Inc. (YWCA) is a women's membership movement with Christian roots that draws together members from diverse backgrounds who are dedicated to eliminating racism, empowering women, and promoting peace, justice, freedom, and dignity for all. YWCA strives to empower individuals, support families, and unite communities to improve the quality of life.

YWCA is the sole corporate member of and holds 100 percent interest in 1894 Holdings, Inc. (1894 Holdings). 1894 Holdings was formed in 2023 pursuant to the laws of Indiana in conjunction with obtaining new markets tax credits (see *Note 13*).

YWCA is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code and qualifies for the 60 percent charitable contribution deduction. YWCA has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. YWCA is also exempt from state income taxes.

However, YWCA is subject to federal income tax on any unrelated business taxable income. YWCA provides liabilities for uncertain income tax positions when a liability is probable and estimable. Management believes that it has appropriate support for any tax positions taken or expected to be taken and as such, does not have any uncertain tax positions that should be recognized, measured, or disclosed in the financial statements. Management believes YWCA is no longer subject to examination by taxing authorities for years before December 31, 2020.

Principles of Consolidation

The consolidated financial statements include YWCA and 1894 Holdings (collectively, the Organization). Significant interorganizational accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents with the exception of money market funds. The Organization maintains cash accounts at a local bank. At various times during the year, cash accounts exceeded federally insured limits.

1. Organization and Summary of Significant Accounting Policies

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, the Organization's investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investments expenses. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See *Note 7* for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income from securities is recorded as earned on an accrual basis. Capital gain distributions are included in dividend income.

Net realized and unrealized investment gains or losses are determined by comparison of asset cost, using the specific identification method, to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively.

Land, Building, and Equipment

Land, building, and equipment are stated at cost or if donated, at fair market value at the date of donation, except for land, building, exhibits, and equipment that have been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired assets as of December 31, 2023.

Items with a cost of $5,000 or more and a useful life of one year or more are capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

Building and improvements	5 – 20 years
Equipment	5 – 10 years

Expenses for normal repairs and maintenance are expensed as incurred.

1. Organization and Summary of Significant Accounting Policies

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when an unconditional promise to give is received and released from restriction when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. If a donor restriction expires in the same reporting period that the contribution was made, such contribution is reported as an unrestricted contribution in the statements of activities and changes in net assets.

Risks and Uncertainties

The Organization's investment portfolio consists of a diverse mix of investments, without concentration of risk by type, industry, or geographic area, which are managed by professional investment managers in compliance with the investment policy established by the Board of Directors. Investments are exposed to various risks, such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments may occur in the near term and that such changes could materially affect account balances.

During 2016, the YWCA entered into an affordable housing program agreement with the Federal Home Loan Bank of Indianapolis (FHLBI) to partially fund the construction and renovation of a building housing the crisis shelter and program and administrative offices. For 15 years, if the building is disposed of or used for a purpose other than what was set forth in the agreement, the funds received, including interest, are required to be returned to FHLBI. On August 26, 2020 the YWCA was informed of approval by the FHLBI that the terms of the agreement could be transferred to the Hefner Center as long as the same conditions are met.

1. Organization and Summary of Significant Accounting Policies

Contributions and Pledges Receivable

Contributions of assets other than cash are recorded at their fair market value estimated based on costs to purchase comparable goods and services.

Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and typically need to be purchased if not provided by donation. A substantial number of volunteers donate significant amounts of time in providing the YWCA's services; however, because the majority of donated services do not meet accounting guidelines, only limited amounts have been reported in the financial statements.

When considered necessary, the YWCA provides an allowance for doubtful receivables, which is based on historical collection experience and management's estimate of losses that will be incurred in the collection of all receivables.

Government Grants

A portion of the YWCA's revenue is derived from cost-reimbursable federal and state contracts and grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the YWCA has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Program Service Fess and Revenue

Program service fees are reported at the amount that reflects the consideration to which YWCA expects to be entitled in exchange for providing client care. These amounts are due from clients, third-party payors, including health insurers and government programs, and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, YWCA bills the clients and third-party payors within two weeks after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by YWCA. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. YWCA believes that this method

1. Organization and Summary of Significant Accounting Policies

Program Service Fess and Revenue (continued)

provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. YWCA measures the performance obligation from the commencement of services, to the point when it is no longer required to provide services to that client.

Because all of its performance obligations relate to contracts with a duration of less than one year, YWCA has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. YWCA's performance obligations consist primarily of services that occur within one day; therefore, there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

YWCA determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors. YWCA determines its estimates of contractual adjustments based on contractual agreements and historical experience. YWCA determines its estimate of implicit price concessions based on its historical collection experience with the class of clients.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

> Medicaid – Reimbursements for Medicaid services are generally paid at prospectively determined rates per visit or per covered member.
>
> Medicare – Outpatient services are paid using prospectively determined rates.
>
> Other – Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per visit or discounts from established charges.

1. **Organization and Summary of Significant Accounting Policies**

Program Service Fess and Revenue (continued)

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge YWCA's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon YWCA. In addition, the contracts YWCA has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing client care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and YWCA's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in 2023.

Consistent with YWCA's mission, care is provided to clients regardless of their ability to pay. YWCA provides care to those clients who meet certain criteria under its sliding fee discount policy at amounts less than the established rates.

Special Events

The YWCA recognizes revenue from special events upon their completion. Accordingly, funds received for special events, including ticket sales and sponsorships, related to future periods are recorded as deferred revenue.

1. Organization and Summary of Significant Accounting Policies

Financial Instruments

Financial instruments consist of cash, cash equivalents, receivables, investments, accounts payable, and accrued expenses. The carrying amounts reported in the statements of financial position for cash and cash equivalents, pledges receivable, other receivables, beneficial interested in funds held by Community Foundations, beneficial interest in perpetual trusts, accounts payable, and accrued expenses approximate their fair value. Management's estimate of the fair value of investments is as previously described and is in *Notes 5, 6, and 7* to the financial statements.

Use of Estimates

Preparation of the 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 in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional Expenses

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, other expenses, which are allocated on the basis of estimates of time and effort.

2. Correction of an Error

During 2023, the Organization identified an error related to the 2022 financial statements. The YWCA entered into the Employee Retention Credit Voluntary Disclosure Program in which it will repay the employee retention credit previously claimed less twenty percent. As such, net assets as of January 1, 2023 were decreased by $918,618 to reflect the reduction in 2022 revenue. In addition, accounts receivable was reduced by $443,598, and accounts payable was increased by $475,020.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2023:

Cash and cash equivalents	**$ 6,506,016**
Claims receivable, net	**1,734,753**
Contributions receivable—current portion	**480,864**
Investments	**551,074**
Financial assets at end of year	**9,272,707**
Less donor-imposed restrictions for endowments making financial assets unavailable for general expenditure	**(280,125)**
Financial assets available to meet cash needs for general expenditures within one year	**$ 8,992,582**

YWCA's endowment funds consist of donor-restricted and board-designated endowments. While donor-restricted endowment funds are not available for general expenditure, the income from these donor-restricted endowments is available for operating purposes. Other than the annual distribution of endowment net assets for expenditures, the Board of Directors does not intend to use the board designated endowment funds for general operating expenditures; however, it has the ability to do so.

YWCA has adopted a prudent approach to spending and reinvestment that requires using a spending formula to provide protection against inflation over time. The actual distribution amount is determined by recommendation from the Finance Committee and staff to the full Board of Directors.

YWCA manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that obligations will be discharged. As part of YWCA's liquidity management plan, excess cash is invested in short-term investments and money market funds.

4. Contributions Receivable

Contributions receivable represent unconditional promises or pledges to the YWCA and are recorded at the present value of future cash flows. The present value factor used was 7.5 percent. Pledges receivable consisted of the following at December 31, 2023:

Amounts due in:	
Less than one year	**$ 496,126**
One to five years	**1,035,000**
Gross contributions receivable	**1,531,126**
Less discount for present value	**(205,735)**
Net contributions receivable	**$ 1,325,391**

5. Beneficial Interest in Funds Held by Community Foundations

The beneficial interest in the funds held by Community Foundations are the result of an agreement whereby YWCA has transferred assets to the Community Foundations and has specified itself as the beneficiary of the assets. YWCA may draw up to a certain percent of the value of the assets each year, subject to certain conditions and limitations, but may only obtain a return of the full value of the assets upon consent of the Community Foundations.

Additionally, the Community Foundations hold investment assets, with a value of $56,172 at December 31, 2023, for the benefit of YWCA. YWCA is precluded from recognizing these assets held by the Community Foundations because of the explicitly granted variance power held by the Community Foundations. Accordingly, YWCA only recognizes its annual grants by the Community Foundations from these funds as contributions.

6. Beneficial Interest in Perpetual Trust

YWCA has a beneficial interest in a perpetual trust administered by an outside party. Pursuant to the terms of the trust, YWCA has the irrevocable right to receive income earned on the trust assets in perpetuity, but will never receive the assets held in trust. The estimated value of YWCA's beneficial interest in the perpetual trust was $484,826 at December 31, 2023, which represents the fair market value of YWCA's proportional interest in the trust assets. The change in the estimated value is recorded in net assets with donor restrictions as a gain or loss in the beneficial interest in perpetual trust.

7. Fair Value Measurements

FASB Accounting Standards Codification (ASC) Topic 820 (ASC 820), *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that YWCA has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023.

Money market fund: The money market fund is valued at a quoted market price in an exchange and active market, which represent the net asset values of shares held by YWCA at year-end.

7. Fair Value Measurements (continued)

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by YWCA are open-end funds that are registered with the Securities and Exchange Commission. Mutual funds are required to publish their daily net asset value and to transact at that price. The mutual held by YWCA are deemed to be actively traded.

Beneficial interest in funds held by Community Foundations: Valued at the fair market value of the underlying investments, as reported by the Community Foundations at year-end.

Beneficial interest in perpetual trust: YWCA's proportional interest in the trust assets is valued at the fair market value of the underlying investments as reported by the investment manager at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while YWCA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, YWCA's assets at fair value as of December 31, 2023:

	Assets at Fair Value at December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market fund	**$ 22,861**	**$ -**	**$ -**	**$ 22,861**
Mutual funds				
Fixed income funds:				
Intermediate-term bond	**528,213**	**-**	**-**	**528,213**
	551,074	**-**	**-**	**551,074**
Beneficial interest in funds held by Community Foundations	**-**	**103,116**	**-**	**103,116**
Beneficial interest in perpetual trust	**-**	**484,826**	**-**	**484,826**
Total assets at fair value	**$ 551,074**	**$ 587,942**	**$ -**	**$ 1,139,016**

8. Net Investment Return

The composition of investment return recognized in the statement of activities and changes in net assets are as follows:

Investment income (loss):	
Interest and dividends	**$ 51,256**
Net realized loss on investments	**(78,016)**
Net unrealized gain on investments	**189,929**
	163,169
Investment expenses	**(11,912)**
Net investment return	**$ 151,257**

9. Note Receivable

The YWCA entered into a note receivable from the Fort Wayne Rescue Mission, Inc. for the purchase of property on Decatur Road, Fort Wayne. The note bears no interest and is due in four installments, the first at closing and the last payment when Fort Wayne Rescue Mission, Inc. takes possession of the property. The note has a balance of $456,250 at December 31, 2023.

10. Endowment

ASC 958, *Not-for-Profit Entities*, required certain net asset classification changes for institutional endowment funds under Uniform Prudent Management of Institutional Funds Act (UPMIFA). Effective July 1, 2007, the Indiana General Assembly adopted UPMIFA.

YWCA's endowment (Endowment) consists of several individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Board of Directors of YWCA has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2023, there were no such donor stipulations. As a result of this interpretation, YWCA retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment

10. Endowment

made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. YWCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of YWCA and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation (depreciation) of investments.
- Other resources of YWCA.
- The investment policies of YWCA.

Endowment net asset composition by type of fund as of December 31, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Beneficial interest in perpetual trust	$ -	$ 280,125	$ 280,125
Board-designated endowment funds:			
Beneficial interest in funds held by Community Foundations	103,116	-	103,116
Accumulated investment earnings on beneficial interest in perpetual trust	204,701	-	204,701
	307,817	-	307,817
Total funds	$ 307,817	$ 280,125	$ 587,942

10. Endowment (continued)

Changes in endowment net assets in 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 257,179	$ 280,125	$ 537,304
Change in value of beneficial interest in funds held by Community Foundations	12,591	-	12,591
Change in value of beneficial interest in perpetual trust	64,550	-	64,550
	77,141	-	77,141
Other changes–			
Distribution from beneficial interest in funds held by Community Foundations	(803)	-	(803)
Distribution from beneficial interest in perpetual trust	(25,700)	-	(25,700)
Endowment net assets at end of year	$ 307,817	$ 280,125	$ 587,942

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). YWCA has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2023, there were no deficiencies in donor-restricted endowment funds.

Investment and Spending Policies

YWCA has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. Pursuant to this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of certain investment benchmark indices while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through

10. Endowment (continued)

which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

YWCA's Board of Directors uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. This annual distribution is calculated at 5 percent of the average market value of the investment at September for the three preceding calendar years. In establishing this policy, YWCA considered the long-term expected return on the endowment and set the rate with the objective of maintaining the purchasing power of the endowment over time.

The maximum contractually allowed distribution by the Community Foundation is 4.5 percent. The actual amount withdrawn is determined during the annual budgeting process. The funds held in the perpetual trust are distributed based upon the underlying provisions of the trust. The annual distribution was $26,503 in 2023.

11. Debt Arrangements

Long-term debt consists of the following at December 31, 2023:

Term loan payable to bank with interest payable quarterly, commencing on September 20, 2023, until September 25, 2029, on which date all outstanding principal and accrued interest shall be due and payable	**$ 3,600,140**
Borrowings by 1894 Holdings pursuant to new markets tax credit financing (see *Note 14*)	**9,800,000**
	13,400,140
Less current portion	**(2,600,140)**
	$ 10,800,000

12. Net Assets

Net assets with donor restrictions are restricted for the following purposes.

	2023
Capital campaign	**$ 4,633,571**
Future operations	**145,000**
Residential services	**68,000**
Total subject to time requirements	**4,846,571**
Endowment subject to the YWCA's spending policy and appropriation:	
Investment in perpetuity	**280,125**
Total net assets with donor restrictions	**$ 5,126,696**

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donor or by occurrence of the passage of time were $1,191,411 in 2023.

13. New Markets Tax Credit

In September 2023, YWCA and affiliates entered into a New Markets Tax Credit (NMTC) financing transaction to fund a portion of the cost of construction of the Hefner Center in Fort Wayne, Indiana. The NMTC program was provided for in the Community Renewal Tax Relief Act of 2000 (Act) and is intended to induce capital investment in qualified low-income communities. The Act permits taxpayers to claim credits against their Federal income taxes for up to 39 percent of qualified investments in the equity of Community Development Entities (CDE). A CDE is a privately managed investment institution that is certified to make qualified low-income community investments (QLICI) loans. The NMTC structure includes YWCA, as a leverage lender, and the tax credit investor is YWCA Hefner Investment Fund, LLC, an entity formed for purposes of this transaction by 1st Source Bank.

In September 2023, Wells Fargo Community Investment Holdings, LLC made a $3,120,000 capital contribution to YWCA Hefner Investment Fund, LLC, a qualified equity investment fund. At the same time, the YWCA made a $7,130,000 leverage loan to the same investment fund. In turn, YWCA Hefner Investment Fund, LLC made a $10,000,000 capital contribution to FWNMRF CDE XV LLC (Sub-CDE I), which is recognized as a qualified community development entity (noted above), or Sub-CDE in this structure. After deducting certain fees

13. New Markets Tax Credit (continued)

associated with the transaction, Sub-CDE I made with two QLICI loans to 1894 Holdings for a combined total of $9,800,000. In this structure, 1894 Holdings is designated as a qualified active low-income community benefit entity (QALICB). The QLICI loans bear interest at a rate of 1.00 percent and mature in 2053. Interest-only payments due quarterly are made during the first seven years of the notes.

The NMTC is subject to 100 percent recapture for a period of seven years as provided in the Internal Revenue Code. The YWCA and affiliates are required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangement. Non-compliance with applicable requirements could result in projected tax benefits not being realized and, therefore, could require the YWCA and affiliates to indemnify the investors for any loss or recapture of NMTCs related to the financing until such time as the YWCA and affiliates obligation to deliver tax benefits is relieved. The YWCA and affiliates do not anticipate any credit recaptures in connection with this arrangement. This transaction includes a put/call provision that becomes effective at the end of the seven year compliance/recapture period. Under the put/call provision, the YWCA and affiliates may be obligated or entitled to purchase the investor's interest in YWCA Hefner Investment Fund, LLC. The YWCA and affiliates believe the investors will exercise the put option in September 2030 at the end of the compliance/recapture period. The value attributed to the put/call provision is de minimis.

14. Retirement Plan

The YWCA participates in a multi-employer defined benefit retirement plan (YWCA Retirement Fund, Inc.) administered by YWCA USA that covers all employees with at least two years of service who have worked 1,000 hours during any two years of employment. The YWCA contributes 5 percent of salary for the benefit of each participant, and the national retirement fund contributes an additional 2 percent. Participants are 100 percent vested immediately upon participation in the plan. No amounts were charged to operations in 2023.

The YWCA sponsors a tax deferred annuity retirement plan under Section 403(b) of the Internal Revenue Code. The plan covers substantially all employees. The employees are eligible following one year of continuous service with a minimum of 1,000 hours per year. The YWCA contributes 2 percent of an employee's earnings regardless of whether the employee contributes to the plan. YWCA's contributions to the plan were $64,312 in 2023.

15. Related Party Transactions

Certain members of the Board of Directors are employed by organizations that have paid admission fees to or provided services for YWCA. The fees received or paid for these services were based on customary and reasonable rates for such services.

16. Subsequent Events

Management has evaluated subsequent events through August 20, 2024, the date on which the financial statements were available to be issued.