

YWCA WEST CENTRAL MICHIGAN

FINANCIAL STATEMENTS

Years Ended September 30, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Board of Directors
YWCA West Central Michigan
Grand Rapids, Michigan

Report on the Financial Statements

We have audited the accompanying statements of financial position of YWCA West Central Michigan as of September 30, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 the YWCA West Central Michigan as of September 30, 2013 and 2012, 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2013, on our consideration of the YWCA West Central Michigan'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 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 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 the YWCA of West Central Michigan's internal control over financial reporting and compliance.

Beene Garter LLP

December 16, 2013
Grand Rapids, Michigan

FINANCIAL STATEMENTS

| | <u>2013</u> | <u>2012</u> |
|--|----------------------------|----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 926,407 | \$ 514,055 |
| Accounts receivable | | |
| Trade less allowance for doubtful accounts of \$3,054 and \$2,054 for 2013 and 2012, respectively | 20,957 | 25,970 |
| Grants | 186,107 | 175,363 |
| Interest | 13,291 | 13,057 |
| Promises to give | | |
| United Way | 236,231 | 236,226 |
| Promises to give, current maturities | 631,588 | 107,450 |
| Prepaid expenses | <u>102,844</u> | <u>85,579</u> |
| TOTAL CURRENT ASSETS | 2,117,425 | 1,157,700 |
| Property and Equipment | 2,285,009 | 2,390,136 |
| Other Assets | | |
| Promises to give, less current maturities | 816,324 | 252,913 |
| Replacement reserve | 17,671 | 17,671 |
| Restricted investments | | |
| Permanent housing operating reserve escrow | 311,484 | 331,783 |
| Investments | 835,985 | 772,547 |
| Beneficial interest in perpetual endowment fund | 41,011 | 38,449 |
| Beneficial interests in outside trusts | <u>748,691</u> | <u>724,546</u> |
| | <u>2,771,166</u> | <u>2,137,909</u> |
| TOTAL ASSETS | <u>\$ 7,173,600</u> | <u>\$ 5,685,745</u> |

YWCA WEST CENTRAL MICHIGAN

STATEMENTS OF FINANCIAL POSITION

September 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|----------------------------|----------------------------|
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 95,099 | \$ 28,682 |
| Accrued liabilities | 143,986 | 109,768 |
| Security deposits | <u>7,367</u> | <u>11,013</u> |
| TOTAL CURRENT LIABILITIES | 246,452 | 149,463 |
| Long-Term Debt | <u>570,000</u> | <u>570,000</u> |
| TOTAL LIABILITIES | 816,452 | 719,463 |
| Net Assets | | |
| Unrestricted | | |
| Undesignated | 1,974,770 | 2,210,904 |
| Board designated - other | <u>201,086</u> | <u>200,475</u> |
| Total Unrestricted | 2,175,856 | 2,411,379 |
| Temporarily restricted | 2,903,458 | 1,553,877 |
| Permanently restricted | <u>1,277,834</u> | <u>1,001,026</u> |
| TOTAL NET ASSETS | <u>6,357,148</u> | <u>4,966,282</u> |
| | | |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 7,173,600</u> | <u>\$ 5,685,745</u> |

See accompanying notes

YWCA WEST CENTRAL MICHIGAN

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2013

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|---------------------------|---------------------------|---------------------|
| Public Support and Revenue | | | | |
| Contributions and nongovernment grants | \$ 265,559 | \$ 27,167 | \$ 100 | \$ 292,826 |
| Contributions to capital campaign, net of discount of \$21,161 | - | 1,394,579 | 250,000 | 1,644,579 |
| In-kind contributions | 19,814 | 2,105 | - | 21,919 |
| United Way | 25,176 | 314,974 | - | 340,150 |
| Special events - less expenses of \$85,730 including in-kind expenses of \$16,369 | 125,302 | 127,404 | - | 252,706 |
| Government grants | 2,146,594 | - | - | 2,146,594 |
| Income from outside trust funds | 35,881 | - | - | 35,881 |
| Program fees | 355,394 | - | - | 355,394 |
| Interest and dividend income, net of \$5,609 fees | 844 | 25,599 | - | 26,443 |
| Membership dues | 350 | - | - | 350 |
| Unrealized gain on revaluation of beneficial interest in outside trusts | - | - | 24,145 | 24,145 |
| Unrealized gain on revaluation of beneficial interests, Grand Rapids Community Foundation | - | - | 2,563 | 2,563 |
| Realized and unrealized gain on investments | - | 57,348 | - | 57,348 |
| Loss on disposal of property and equipment | (1,298) | - | - | (1,298) |
| Net assets released from restrictions | | | | |
| Satisfaction of donor restrictions | 186,722 | (186,722) | - | - |
| Appropriation of endowment assets for expenditure | 24,837 | (24,837) | - | - |
| Expiration of time restrictions | 388,036 | (388,036) | - | - |
| TOTAL PUBLIC SUPPORT AND REVENUE | 3,573,211 | 1,349,581 | 276,808 | 5,199,600 |
| Expenses | | | | |
| Program services | | | | |
| Counseling programs | 1,512,517 | - | - | 1,512,517 |
| Housing | 1,256,138 | - | - | 1,256,138 |
| Youth programs | 170,523 | - | - | 170,523 |
| Center for Women | 168,202 | - | - | 168,202 |
| Special programs | 20,228 | - | - | 20,228 |
| Support services | | | | |
| Management and general | | | | |
| Management and general | 335,357 | - | - | 335,357 |
| Capital campaign | 13,506 | - | - | 13,506 |
| Fundraising | | | | |
| Development and special events | 174,047 | - | - | 174,047 |
| Capital campaign | 158,216 | - | - | 158,216 |
| TOTAL EXPENSES | 3,808,734 | - | - | 3,808,734 |
| CHANGE IN NET ASSETS | (235,523) | 1,349,581 | 276,808 | 1,390,866 |
| Net Assets at Beginning of Year | 2,411,379 | 1,553,877 | 1,001,026 | 4,966,282 |
| NET ASSETS AT END OF YEAR | \$ 2,175,856 | \$ 2,903,458 | \$ 1,277,834 | \$ 6,357,148 |

See accompanying notes

YWCA WEST CENTRAL MICHIGAN

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2012

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|---------------------------|---------------------------|---------------------|
| Public Support and Revenue | | | | |
| Contributions and nongovernment grants | \$ 210,284 | \$ - | \$ 100 | \$ 210,384 |
| Contributions to capital campaign, net of discount of \$11,633 | - | 449,747 | - | 449,747 |
| In-kind contributions | 25,058 | 1,822 | - | 26,880 |
| United Way | 25,360 | 314,968 | - | 340,328 |
| Special events - less expenses of \$68,836, including in-kind expenses of \$10,260 | 87,106 | 64,595 | - | 151,701 |
| Government grants | 2,099,664 | - | - | 2,099,664 |
| Income from outside trust funds | 36,258 | - | - | 36,258 |
| Program fees | 327,998 | - | - | 327,998 |
| Interest and dividend income, net of \$5,477 fees | 1,612 | 29,297 | - | 30,909 |
| Membership dues | 1,432 | - | - | 1,432 |
| Unrealized gain on revaluation of beneficial interest in outside trusts | - | - | 68,634 | 68,634 |
| Unrealized gain on revaluation of beneficial interests, Grand Rapids Community Foundation | - | - | 4,153 | 4,153 |
| Realized and unrealized gain on investments | - | 116,588 | - | 116,588 |
| Net assets released from restrictions | | | | |
| Satisfaction of donor restrictions | 82,610 | (82,610) | - | - |
| Appropriation of endowment assets for expenditure | 40,374 | (40,374) | - | - |
| Expiration of time restrictions | 411,212 | (411,212) | - | - |
| TOTAL PUBLIC SUPPORT AND REVENUE | 3,348,968 | 442,821 | 72,887 | 3,864,676 |
| Expenses | | | | |
| Program services | | | | |
| Counseling programs | 1,299,823 | - | - | 1,299,823 |
| Housing | 1,259,609 | - | - | 1,259,609 |
| Youth programs | 127,288 | - | - | 127,288 |
| Center for Women | 199,853 | - | - | 199,853 |
| Special programs | 4,394 | - | - | 4,394 |
| Support services | | | | |
| Management and general | 381,278 | - | - | 381,278 |
| Fundraising | | | | |
| Development and special events | 144,034 | - | - | 144,034 |
| Capital campaign | 53,991 | - | - | 53,991 |
| TOTAL EXPENSES | 3,470,270 | - | - | 3,470,270 |
| CHANGE IN NET ASSETS | (121,302) | 442,821 | 72,887 | 394,406 |
| Net Assets at Beginning of Year | 2,532,681 | 1,111,056 | 928,139 | 4,571,876 |
| NET ASSETS AT END OF YEAR | \$ 2,411,379 | \$ 1,553,877 | \$ 1,001,026 | \$ 4,966,282 |

See accompanying notes

YWCA WEST CENTRAL MICHIGAN
STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2013

| | Program Services | | | | | | Supporting Services | | | | Total | |
|---------------------------------|---------------------|---------------------|-------------------|-------------------|------------------|------------------------|------------------------|------------------|--------------------------------|-------------------|---------------------|------------------|
| | Counseling Programs | | | Youth Programs | | | Management and General | | Fundraising | | | Capital Campaign |
| | Counseling Programs | Housing | Center for Women | Special Programs | Total | Management and General | Building Occupancy | Capital Campaign | Development and Special Events | | | |
| Salaries | \$ 938,445 | \$ 481,808 | \$ 90,074 | \$ - | \$ 3,947 | \$ 1,514,274 | \$ 211,343 | \$ 66,280 | \$ 104,765 | \$ 62,563 | \$ 1,872,805 | |
| Payroll taxes | 81,510 | 41,967 | 8,043 | - | 365 | 131,885 | 18,542 | 6,074 | 9,297 | 4,829 | 171,599 | |
| Employee benefits | 120,213 | 79,610 | 14,189 | - | 305 | 214,317 | 25,006 | 13,528 | 10,913 | 5,549 | 270,187 | |
| Professional services | 99,890 | 7,497 | 1,602 | 3,236 | 400 | 112,625 | 47,331 | 14,429 | 3,486 | 77,902 | 255,783 | |
| Food and household supplies | 1,485 | 16,069 | 608 | - | - | 18,162 | - | - | - | - | 18,162 | |
| Operating supplies and expenses | 37,221 | 24,225 | 5,082 | 2,147 | 1,457 | 70,132 | 9,593 | 4,789 | 7,731 | 2,077 | 94,322 | |
| Telephone | 16,467 | 8,090 | 2,289 | - | - | 26,846 | 2,584 | 1,543 | 1,246 | 69 | 32,288 | |
| Postage | 1,225 | 532 | 144 | - | 1 | 1,902 | 878 | 2 | 4,041 | 130 | 6,953 | |
| Utilities | - | 17,424 | - | - | - | 17,424 | - | 104,752 | - | - | 122,176 | |
| Insurance | 4,712 | 13,848 | 1,759 | 3,818 | - | 23,937 | 4,865 | 2,986 | 598 | - | 32,386 | |
| Repairs and maintenance | 13,892 | 42,605 | 3,228 | - | 19 | 59,744 | 3,148 | 71,568 | 2,217 | 2 | 136,679 | |
| In-kind supplies and services | 549 | 1,304 | - | - | - | 1,853 | - | - | 17,961 | 2,105 | 21,919 | |
| Publicity and promotion | 2,645 | 6,157 | 1,103 | - | 14 | 9,919 | - | - | 6,854 | 2,809 | 19,582 | |
| Travel and vehicle expense | 17,876 | 8,790 | 3,056 | - | 21 | 29,543 | 6,111 | 208 | 617 | 7 | 36,486 | |
| Conferences, training and dues | 13,618 | 3,737 | 1,718 | - | 382 | 19,655 | 4,022 | 14 | 1,022 | 154 | 24,867 | |
| Direct client assistance | 7,889 | 403,339 | 243 | - | - | 411,471 | - | - | 2,000 | - | 413,471 | |
| Property taxes | - | 8,556 | - | - | - | 8,556 | - | 872 | - | - | 9,428 | |
| National YWCA support | 7,685 | 4,392 | 791 | 68 | 40 | 12,984 | 1,934 | 1,551 | 1,289 | - | 17,768 | |
| | 1,365,332 | 1,169,950 | 133,929 | 9,067 | 6,951 | 2,685,229 | 335,357 | 290,606 | 174,047 | 158,216 | 3,656,961 | |
| Building occupancy allocation | 106,425 | 33,081 | 26,460 | 115,040 | 9,600 | 290,606 | - | (290,606) | - | - | - | |
| Depreciation | 40,760 | 53,107 | 10,134 | 44,095 | 3,677 | 151,773 | - | - | - | - | 151,773 | |
| | 147,185 | 86,188 | 36,594 | 159,135 | 13,277 | 442,379 | - | (290,606) | - | - | 151,773 | |
| Total Expenses | \$ 1,512,517 | \$ 1,256,138 | \$ 170,523 | \$ 166,202 | \$ 20,228 | \$ 3,127,608 | \$ 335,357 | \$ - | \$ 174,047 | \$ 158,216 | \$ 3,808,734 | |

See accompanying notes

YWCA WEST CENTRAL MICHIGAN
STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2012

| | Program Services | | | | Management and General | | | | Supporting Services Fundraising | | |
|--------------------------------|---------------------|---------------------|-------------------|-------------------|------------------------|---------------------|------------------------|--------------------|---------------------------------|------------------|---------------------|
| | Counseling Programs | Housing | Youth Programs | Center for Women | Special Programs | Total | Management and General | Building Occupancy | Development and Special Events | Capital Campaign | Total |
| | | | | | | | | | | | |
| Salaries | \$ 850,545 | \$ 495,317 | \$ 60,552 | \$ - | \$ 2,002 | \$ 1,408,416 | \$ 256,702 | \$ 61,636 | \$ 74,380 | \$ - | \$ 1,801,134 |
| Payroll taxes | 82,655 | 47,472 | 6,391 | - | 178 | 136,696 | 24,277 | 6,049 | 6,841 | - | 173,863 |
| Employee benefits | 96,834 | 72,290 | 11,237 | 60 | 181 | 180,602 | 26,869 | 12,534 | 10,199 | - | 230,204 |
| Professional services | 44,109 | 10,991 | 1,406 | 3,356 | - | 59,862 | 35,268 | 15,647 | 6,736 | 50,462 | 167,975 |
| Food and household supplies | 845 | 35,210 | 614 | - | - | 36,669 | - | - | - | - | 36,669 |
| Operating supplies | | | | | | | | | | | |
| and expenses | 38,302 | 14,027 | 6,598 | 1,902 | 1,574 | 62,403 | 20,464 | 5,121 | 10,947 | 634 | 99,569 |
| Telephone | 14,034 | 6,965 | 1,729 | - | - | 22,728 | 2,059 | 1,361 | 1,040 | - | 27,188 |
| Postage | 1,035 | 777 | 137 | - | 1 | 1,950 | 1,093 | 13 | 1,936 | 72 | 5,064 |
| Utilities | - | 16,529 | - | - | - | 16,529 | - | 92,939 | - | - | 109,468 |
| Insurance | 2,906 | 13,081 | 1,534 | 3,542 | - | 21,063 | 4,827 | 2,697 | 545 | - | 29,132 |
| Repairs and maintenance | 5,878 | 37,374 | 1,648 | 1 | 22 | 44,923 | 907 | 55,233 | 1,052 | 49 | 102,164 |
| In-kind supplies and services | 1,011 | 1,420 | - | - | - | 2,431 | 0 | - | 22,628 | 1,822 | 26,881 |
| Publicity and promotion | 2,130 | 1,518 | 1,073 | - | 5 | 4,726 | - | - | 2,251 | 578 | 7,555 |
| Travel and vehicle expense | 25,218 | 10,496 | 4,553 | - | 6 | 40,273 | 5,598 | 242 | 426 | 374 | 46,913 |
| Conferences, training and dues | 10,360 | 2,245 | 1,393 | - | 384 | 14,382 | 1,306 | 150 | 505 | - | 16,343 |
| Direct client assistance | 8,051 | 395,596 | 3,199 | - | 7 | 406,853 | - | - | - | - | 406,853 |
| Property taxes | - | 8,881 | - | - | - | 8,881 | - | 744 | - | - | 9,625 |
| National YWCA support | 5,796 | 6,526 | 1,445 | 1,161 | 34 | 14,962 | 1,908 | 244 | 890 | - | 18,004 |
| | 1,189,709 | 1,176,715 | 103,509 | 10,022 | 4,394 | 2,484,349 | 381,278 | 254,610 | 140,376 | 53,991 | 3,314,604 |
| Building occupancy allocation | 76,637 | 26,880 | 16,550 | 131,997 | - | 252,064 | - | (254,610) | 2,546 | - | - |
| Depreciation | 33,477 | 56,014 | 7,229 | 57,834 | - | 154,554 | - | - | 1,112 | - | 155,666 |
| | 110,114 | 82,894 | 23,779 | 189,831 | - | 406,618 | - | (254,610) | 3,658 | - | 155,666 |
| Total Expenses | \$ 1,299,823 | \$ 1,259,609 | \$ 127,288 | \$ 199,853 | \$ 4,394 | \$ 2,890,967 | \$ 381,278 | \$ - | \$ 144,034 | \$ 53,991 | \$ 3,470,270 |

See accompanying notes

YWCA WEST CENTRAL MICHIGAN

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2013 and 2012

| | 2013 | 2012 |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Increase in net assets | \$ 1,390,866 | \$ 394,406 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities | | |
| Contributions received for long-term purposes, net of discount and bad debts | (1,469,407) | (411,009) |
| Depreciation | 151,773 | 155,666 |
| Unrealized gain on revaluation of beneficial interest in outside trusts | (24,145) | (68,634) |
| Unrealized gain on revaluation of beneficial interest, Grand Rapids Community Foundation | (2,563) | (4,153) |
| Realized and unrealized gain on investments | (57,348) | (116,588) |
| Loss on disposal of property and equipment | 1,298 | - |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (5,965) | 108,849 |
| Promises to give | (63,487) | 34,793 |
| Prepaid expenses | (17,265) | (2,510) |
| Accounts payable | 66,417 | (7,511) |
| Accrued liabilities | 34,218 | 4,999 |
| Security deposits | (3,646) | (3,152) |
| NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES | 746 | 85,156 |
| Cash Flows from Investing Activities | | |
| Purchase of property and equipment | (47,943) | (45,349) |
| Proceeds from sale of investments | 122,840 | 342,967 |
| Purchases of investments | (117,573) | (321,856) |
| Increase in replacement reserve | - | (17,671) |
| Proceeds from sale of restricted investments | 101,239 | 564,626 |
| Purchases of restricted investments | (92,297) | (605,000) |
| NET CASH USED BY INVESTING ACTIVITIES | (33,734) | (82,283) |
| Cash Flows from Financing Activities | | |
| Proceeds from contributions receivable restricted for long-term purposes | 445,340 | 49,009 |
| NET INCREASE IN CASH | 412,352 | 51,882 |
| Cash and Cash Equivalents at Beginning of Year | 514,055 | 462,173 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 926,407 | \$ 514,055 |

See accompanying notes

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The YWCA West Central Michigan (YWCA) is primarily a provider of services to families in the Kent County area serving to eliminate racism, empower women and girls, and advocate for justice and equality. Services include counseling for individuals and families experiencing domestic violence, child sexual abuse and sexual assault, emergency shelter as well as transitional and permanent housing for domestic violence survivors, supervised visitation and exchange for families experiencing domestic violence and child abuse, medical forensic examinations for sexual assault patients, violence prevention programs for girls, and lease of space to organizations with similar missions on a short or long-term basis.

Capital Campaign

The Board and staff have been actively engaged in developing plans for major capital renovations of two facilities. Promises to give and restricted contributions related to this campaign are recorded within the financial statements. As of September 30, 2013, the YWCA has started preliminary phases of renovation, and all activity is recorded as construction in progress.

Financial Statement Format

The YWCA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

Cash equivalents consist of money market funds. Cash and cash equivalents are held primarily at four financial institutions. From time to time, the YWCA's cash balances may exceed federally insured limits.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

Accounts Receivable

Trade accounts receivable and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Grant revenue is recognized under the terms of each grant, typically when expenditures are made or service is provided. A grant receivable is recorded when the YWCA has not yet received funds for a portion of the earned revenue.

Promises to Give

Unconditional promises to give are recognized as revenue in the period the promise is made and as assets, decreases of liabilities or expenses depending on the form of the benefits to be received. Unconditional promises to give expected to be collected in periods in excess of one year are recognized at the present value of estimated future cash flows at the time the promise is received using discount rates that approximate the YWCA's blended borrowing rate. The discount utilized at September 30, 2013 is 2%. Management annually reviews these balances to determine the net realizable value of the promise.

Promises to give are stated at the amount management expects to collect from outstanding balances, discounted to present value. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts, past credit history with donors and the donors' current financial condition. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to promises to give. Changes in the valuation allowance have not been material to the financial statements.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

Property and Equipment

Property and equipment are stated at cost, if purchased. Donations of property and equipment are recorded as support at estimated fair value at the time received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the YWCA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The YWCA follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$5,000. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Investments

Investments are reported at fair value, as disclosed in Note 5. Realized and unrealized gains and losses are presented in the statement of activities as a change in temporarily restricted net assets until appropriated for expenditure.

Security Deposits

The YWCA records security deposits received from its tenants and deposits received from Supporting Housing participants. Deposits may be refunded as the participants successfully complete the Supportive Housing program.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor restricted contributions are reported as restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions. If the restriction will be met in the same reporting period, the support will be recorded as unrestricted. Contributions are reported as revenue at the time the contribution is promised.

Donated Services and Materials

Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by the individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Donated services were recorded in the amount of \$22,457 and \$25,031 at September 30, 2013 and 2012, respectively.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

In addition, many other volunteers have contributed significant amounts of time to the YWCA without compensation. These contributions, although clearly substantial, are not recognized as contributions in the financial statements since the recognition criteria were not met. During the years ended September 30, 2013 and 2012, donated services of approximately \$54,000 did not meet the recognition criteria, but were used as matching revenue for various funding sources.

During the years ended September 30, 2013 and 2012 donated materials of \$15,832 and \$12,109 respectively, were recorded.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited as detailed in the statements of functional expenses.

Income Taxes

The Internal Revenue Service has determined that the YWCA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the YWCA qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Tax positions taken are assessed for uncertainty and a provision may be recorded if a tax position is not likely to be sustained upon examination.

With limited exceptions, YWCA is no longer subject to tax audits by federal authorities for years prior to 2009.

Subsequent Events

Management has evaluated significant events or transactions occurring subsequent to September 30, 2013 for potential recognition or disclosure in these financial statements. The evaluation was performed through December 16, 2013 the date the financial statements were available for issuance. Subsequent events are disclosed in Note 8.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 presentation.

NOTE 2 - PROMISES TO GIVE

Promises to give are as follows:

| | 2013 | 2012 |
|--------------------------------------|--------------|------------|
| Receivable in less than one year | \$ 868,801 | \$ 344,070 |
| Less allowance for doubtful promises | (982) | (394) |
| Net receivable in less than one year | 867,819 | 343,676 |
| Receivable in one to five years | 855,966 | 268,166 |
| Less discount on long term promises | (32,794) | (11,633) |
| Less allowance for doubtful promises | (6,848) | (3,620) |
| Net receivable in one to five years | 816,324 | 252,913 |
| | \$ 1,684,143 | \$ 596,589 |

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | 2013 | 2012 |
|--------------------------------|--------------|--------------|
| Building and land improvements | \$ 5,084,291 | \$ 5,092,491 |
| Equipment | 602,397 | 617,043 |
| Construction in progress | 91,637 | 43,691 |
| | 5,778,325 | 5,753,225 |
| Accumulated depreciation | (3,493,316) | (3,363,089) |
| | \$ 2,285,009 | \$ 2,390,136 |

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

NOTE 4 - RESTRICTED INVESTMENTS

The YWCA received a loan from Michigan State Housing Development Authority (MSHDA) (see Note 9) during 2007 that required the YWCA to establish an operating reserve escrow. The funds are to be used for operating expenses associated with the permanent housing program. The operating reserve escrow account and the replacement reserve are to be maintained for the entire term of the program, or until all funds have been exhausted. The YWCA's operating reserve escrow may exceed federally insured limits.

NOTE 5 - INVESTMENTS

Investments are recorded at fair value. A hierarchy is used to evaluate investments that prioritize the use of inputs to various valuation techniques.

The three levels of the fair value hierarchy, with Level 1 given the highest priority, are as follows:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 - quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 - significant unobservable inputs which may include the YWCA's own assumptions in determining fair value.

Investments consist of the following as of September 30:

| | 2013 | | |
|---------------------------|-------------------|-------------------|---|
| | Cost | Market | Accumulated Appreciation (Depreciation) |
| Cash and cash equivalents | \$ 56,967 | \$ 56,967 | \$ - |
| US Equity Securities | 333,790 | 462,518 | 128,728 |
| International Equities | 79,674 | 89,504 | 9,830 |
| Fixed Income | 201,723 | 207,154 | 5,431 |
| Alternatives | 19,135 | 19,842 | 707 |
| | <u>\$ 691,289</u> | <u>\$ 835,985</u> | <u>\$ 144,696</u> |

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

| | 2012 | | |
|---------------------------|------------|------------|---|
| | Cost | Market | Accumulated Appreciation (Depreciation) |
| Cash and cash equivalents | \$ 21,000 | \$ 21,000 | \$ - |
| US Equity Securities | 388,182 | 471,093 | 82,911 |
| International Equities | 77,149 | 80,394 | 3,245 |
| Fixed Income | 200,109 | 200,060 | (49) |
| | \$ 686,440 | \$ 772,547 | \$ 86,107 |

Restricted investments consist of:

| | 2013 | | |
|---------------------------|------------|------------|---|
| | Cost | Market | Accumulated Appreciation (Depreciation) |
| Cash and cash equivalents | \$ 77,850 | \$ 77,850 | \$ - |
| Certificates of deposit | 105,000 | 105,317 | 317 |
| Asset backed securities | 137,851 | 128,317 | (9,534) |
| | \$ 320,701 | \$ 311,484 | \$ (9,217) |

| | 2012 | | |
|---------------------------|------------|------------|---|
| | Cost | Market | Accumulated Appreciation (Depreciation) |
| Cash and cash equivalents | \$ 42,639 | \$ 42,639 | \$ - |
| Certificates of deposit | 135,000 | 134,707 | (293) |
| Asset backed securities | 155,737 | 154,437 | (1,300) |
| | \$ 333,376 | \$ 331,783 | \$ (1,593) |

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

For the valuation of certain cash and cash equivalents, certificates of deposit, U.S. equity securities, international securities, fixed income and alternative investments at September 30, 2013 and 2012, the YWCA used quoted prices in principal active markets for identical assets as of the valuation date (Level 1).

For the valuation of asset backed securities, the YWCA's investment advisor provides period valuation using quoted prices for identical or similar assets in markets that are not active (level 2).

For the valuation of the perpetual endowment fund and the beneficial interest in outside trusts at September 30, 2013 and 2012, the YWCA used significant unobservable inputs including information from fund managers based on quoted market prices or other valuation methods (Level 3). Management reviews and evaluates the values provided by the fund manager and agrees with the valuation methods and assumptions used in determining the fair value.

Assets measured at fair value at September 30, 2013 and 2012, on a recurring basis consist of the following:

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Investments | \$ 835,985 | \$ 772,547 |
| Restricted investments | 311,484 | 331,783 |
| Beneficial interest in perpetual endowment fund | 41,011 | 38,449 |
| Beneficial interest in outside trusts | <u>748,691</u> | <u>724,546</u> |
| | <u>\$ 1,937,171</u> | <u>\$ 1,867,325</u> |

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

The following table sets forth information about the YWCA's fair value of investments and level within the fair value hierarchy at which the YWCA's investments are measured at September 30:

| | 2013 | | | Total |
|--|---------------------------------------|-------------------------------|------------------------|---------------------|
| | Based on | | | |
| | Level 1 | Level 2 | Level 3 | |
| | Quoted Prices in Active Markets | Other Observable Inputs | Unobservable Inputs | |
| Cash and cash equivalents | \$ 134,817 | \$ - | \$ - | \$ 134,817 |
| Certificates of deposit | 105,317 | - | - | 105,317 |
| Fixed income | | | | |
| U.S. government agencies | 28,267 | - | - | 28,267 |
| Corporate | 154,273 | - | - | 154,273 |
| Preferred stocks | 10,490 | - | - | 10,490 |
| International | 14,124 | - | - | 14,124 |
| US Equity | | | | |
| Energy | 36,601 | - | - | 36,601 |
| Materials | 19,464 | - | - | 19,464 |
| Industrials | 57,278 | - | - | 57,278 |
| Consumer | 53,464 | - | - | 53,464 |
| Healthcare | 62,565 | - | - | 62,565 |
| Financials | 75,620 | - | - | 75,620 |
| Technology | 86,523 | - | - | 86,523 |
| Telecommunications | 9,335 | - | - | 9,335 |
| Utilities | 6,678 | - | - | 6,678 |
| Mid cap | 15,372 | - | - | 15,372 |
| Small Cap | 39,618 | - | - | 39,618 |
| Alternatives | | | | |
| Real estate | 19,842 | - | - | 19,842 |
| International equities | | | | |
| Developed markets | 67,028 | - | - | 67,028 |
| Emerging markets | 22,476 | - | - | 22,476 |
| Asset backed securities | - | 128,317 | - | 128,317 |
| Beneficial interest in perpetual endowment fund | - | - | 41,011 | 41,011 |
| Beneficial interest in outside trusts | - | - | 748,691 | 748,691 |
| | <u>\$ 1,019,152</u> | <u>\$ 128,317</u> | <u>\$ 789,702</u> | <u>\$ 1,937,171</u> |

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

| | 2012 | | | Total |
|--|---------------------------------------|-------------------------------|------------------------|---------------------|
| | Based on | | | |
| | Level 1 | Level 2 | Level 3 | |
| | Quoted Prices in Active Markets | Other Observable Inputs | Unobservable Inputs | |
| Cash and cash equivalents | \$ 63,639 | \$ - | \$ - | \$ 63,639 |
| Certificates of deposit | 134,707 | - | - | 134,707 |
| Fixed income | | | | |
| U.S. government agencies | 29,824 | - | - | 29,824 |
| Corporate | 170,238 | - | - | 170,238 |
| Preferred stocks | 12,945 | - | - | 12,945 |
| US Equity | | | | |
| Energy | 46,854 | - | - | 46,854 |
| Materials | 16,548 | - | - | 16,548 |
| Industrials | 60,963 | - | - | 60,963 |
| Consumer | 55,132 | - | - | 55,132 |
| Healthcare | 65,751 | - | - | 65,751 |
| Financials | 62,562 | - | - | 62,562 |
| Technology | 112,563 | - | - | 112,563 |
| Utilities | 6,479 | - | - | 6,479 |
| Small Cap | 31,295 | - | - | 31,295 |
| International equities | | | | |
| Developed markets | 57,030 | - | - | 57,030 |
| Emerging markets | 23,363 | - | - | 23,363 |
| Asset backed securities | - | 154,437 | - | 154,437 |
| Beneficial interest in perpetual endowment fund | - | - | 38,449 | 38,449 |
| Beneficial interest in outside trusts | - | - | 724,546 | 724,546 |
| | <u>\$ 949,893</u> | <u>\$ 154,437</u> | <u>\$ 762,995</u> | <u>\$ 1,867,325</u> |

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

Following is a reconciliation of activity for the years ended September 30, 2013 and 2012 for assets measured at fair value based on significant unobservable (Level 3) information:

| | <u>Level 3 Investments</u> |
|--|--------------------------------|
| Balance at October 1, 2011 | \$ 690,207 |
| Unrealized gains | 74,503 |
| Net additions, purchases, sales, and maturities | <u>(1,715)</u> |
| Balance at September 30, 2012 | 762,995 |
| Unrealized gains | 29,353 |
| Net additions, purchases, sales, and maturities | <u>(2,646)</u> |
| Balance at September 30, 2013 | <u>\$ 789,702</u> |

NOTE 6 - BENEFICIAL INTEREST IN PERPETUAL ENDOWMENT FUND, GRAND RAPIDS COMMUNITY FOUNDATION

The YWCA is the beneficiary under an agency endowment agreement administered by a local community foundation. Under this agreement, the YWCA is entitled to the earnings from the assets in perpetuity, but has no right to the principal. The fair market value of the underlying investment is recorded in the YWCA's statement of financial position. On an annual basis, the asset is revalued based on changes in market value. This revaluation is treated as permanently restricted in the statement of activities. Distributions from the Foundation are recorded as investment income on the statement of activities.

The Board of Trustees of the Grand Rapids Community Foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

The Grand Rapids Community Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with U.S. generally accepted accounting principles, an asset has been established for the fair value of the funds on the statement of financial position of the YWCA West Central Michigan.

NOTE 7 - BENEFICIAL INTERESTS IN OUTSIDE TRUSTS

The YWCA is an income beneficiary of several outside perpetual trusts having market values that aggregate \$1,974,828 and \$1,916,329 at September 30, 2013 and 2012, respectively. The YWCA's participation in the income of each perpetual trust ranges from 20% to 50%.

The value of the beneficial interest recorded by the YWCA is based on the fair value of the assets held by the trusts. Annual distributions from the trusts are recorded as investment income. Adjustments in the value of the beneficial interest are recorded as changes in permanently restricted net assets in the statement of activities.

NOTE 8 - LINE OF CREDIT

The YWCA has an unsecured line of credit agreement with a bank, that provides for borrowings up to \$200,000, with interest payable at the bank's prime rate (3.25% at September 30, 2013) less one-half percent, with a floor of 4.0%. The note expires in July 2014. There were no borrowings on the line of credit as of September 30, 2013 or 2012.

Subsequent to year end, the YWCA entered into a construction line of credit with a bank that provides borrowings up to \$500,000 with interest payable at the bank's prime rate (3.25% at September 30, 2013) plus one percent, with a floor of 4.25%. The note expires in November 2014 and is secured by all assets. It is anticipated the line of credit will be repaid with grant proceeds from the Federal Home Loan Bank. See Note 18.

NOTE 9 - LONG-TERM DEBT

Long-term debt consists of a note payable to MSHDA bearing no interest. Note is due in May 2057 and is secured by certain real estate with a net book value of approximately \$ 614,000 at September 30, 2013. The loan document and funding agreement specify certain restrictions and various covenants.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

NOTE 10 - RESTRICTIONS ON ASSETS

Temporarily restricted net assets consisting of cash, investments, and promises to give are as follows:

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Permanent housing | \$ 311,484 | \$ 331,783 |
| Sponsorships for future events | 121,731 | 67,393 |
| Endowment fund - includes the total investment return from the permanently restricted endowment fund | 597,854 | 534,516 |
| United Way allocation | 236,231 | 236,226 |
| Capital campaign | 1,608,991 | 383,959 |
| Grants for future time periods | 27,167 | - |
| | <u>\$ 2,903,458</u> | <u>\$ 1,553,877</u> |

Permanently restricted net assets, consisting of investments and beneficial interests, are as follows:

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|
| Endowment fund - cash and cash equivalents | \$ 37,501 | \$ - |
| Endowment fund - pledges receivable | 212,500 | - |
| Beneficial interests in outside trusts | 748,691 | 724,546 |
| Endowment fund - includes the principal amount of permanently restricted gifts and bequests from donors | 238,131 | 238,031 |
| Beneficial interest in perpetual endowment fund | 41,011 | 38,449 |
| | <u>\$ 1,277,834</u> | <u>\$ 1,001,026</u> |

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

NOTE 11 - ENDOWMENT FUND

The YWCA follows guidance provided by the Financial Accounting Standards Board (FASB) to determine the accounting disclosure treatment of funds held in endowments (both donor restricted and board-designated funds) and subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC; formerly known as the National Conference of Commissioners on Uniform State Laws) and enacted by the State of Michigan in September 2009 that serves as a guideline for states to use in enacting legislation.

The YWCA West Central Michigan's endowment funds consist of funds held at two financial institutions. The endowment was established for the support and maintenance of programs and services of the YWCA West Central Michigan that are associated with home and family life. It includes both donor restricted endowment funds and funds designated by the Board of Directors to function as endowment. As required by generally accepted accounting principles (GAAP), net assets associated with the endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the State Prudent Management of Institutional Funds Act (SPMIFA) requires the YWCA to retain as a fund of perpetual duration. In accordance with GAAP, there were no such deficiencies that resulted in the invasion of the principal balance as of September 30, 2013 and 2012.

Return Objectives and Risk Parameters

Over the investment horizon (five (5) to seven (7) years) established in the YWCA West Central Michigan policy, it is the goal of the aggregate Fund assets to meet or exceed a weighted benchmark using the following preferred target asset allocation: equities, sixty (60) percent; fixed income securities, thirty (30) percent; cash and cash equivalents, five (5) percent; and alternative asset classes, five (5) percent. The YWCA West Central Michigan realizes that there are many ways to define risk. Management requires that any person or organization involved in the process of managing the Fund assets understands how it defines risk so that the assets are managed in a manner consistent with the Fund's objectives and investment strategy as designed in the policy. The YWCA West Central Michigan defines risk as the probability of not meeting the Fund's objectives. The YWCA understands that in order to achieve its objectives for Fund assets, the Fund will experience volatility in returns and fluctuations of market value.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

Strategies Employed for Achieving Objectives

In order to meet its needs, the investment strategy of the Fund is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary objective in the investment management for Fund assets shall be income and growth. The secondary objective in the investment management of Fund assets shall be the preservation of purchasing power after spending - to achieve returns in excess of the rate of inflation plus spending over the stated investment horizon in order to preserve purchasing power of Fund assets. Risk control is an important element in the investment of Fund assets.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The YWCA has a board approved total return spending policy that allows the operating fund to receive and recognize investment earnings originating from the endowment fund. The board approved a spending policy of three (3) to five (5) percent of aggregate portfolio market value using a moving average method of the five (5) periods ending December 31 prior to the fiscal year in which the funds will be spent. The annual distribution amount may be withdrawn in one or more installments during the fiscal year.

Endowment net asset composition by type of fund as of September 30:

| | 2013 | | |
|----------------------------------|---------------------------|---------------------------|---------------------|
| | Temporarily Restricted | Permanently Restricted | Total |
| Donor-restricted endowment funds | \$ - | \$ 488,131 | \$ 488,131 |
| Board-designated endowment funds | 597,854 | - | 597,854 |
| Total Funds | \$ 597,854 | \$ 488,131 | \$ 1,085,985 |
| | 2012 | | |
| | Temporarily Restricted | Permanently Restricted | Total |
| Donor-restricted endowment funds | \$ - | \$ 238,031 | \$ 238,031 |
| Board-designated endowment funds | 534,516 | - | 534,516 |
| Total Funds | \$ 534,516 | \$ 238,031 | \$ 772,547 |

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

Changes in endowment net assets for the years ended September 30:

| | 2013 | | Total |
|--|------------------------|------------------------|---------------------|
| | Temporarily Restricted | Permanently Restricted | |
| Endowment net assets, beginning of the year | \$ 534,516 | \$ 238,031 | \$ 772,547 |
| Contributions | - | 250,100 | 250,100 |
| Investment return: | | | |
| Investment income | 25,098 | - | 25,098 |
| Net appreciation (realized and unrealized) | 68,686 | - | 68,686 |
| Investment fees | (5,609) | - | (5,609) |
| Total Investment Return | 88,175 | 250,100 | 338,275 |
| Appropriation of endowment assets for expenditures | (24,837) | - | (24,837) |
| Endowment Net Assets, End of Year | \$ 597,854 | \$ 488,131 | \$ 1,085,985 |
| | | | |
| | 2012 | | |
| | Temporarily Restricted | Permanently Restricted | Total |
| Endowment net assets, beginning of the year | \$ 434,851 | \$ 237,931 | \$ 672,782 |
| Contributions | - | 100 | 100 |
| Investment return: | | | |
| Investment income | 24,640 | - | 24,640 |
| Net depreciation (realized and unrealized) | 120,876 | - | 120,876 |
| Investment fees | (5,477) | - | (5,477) |
| Total Investment Return | 140,039 | 100 | 140,139 |
| Appropriation of endowment assets for expenditures | (40,374) | - | (40,374) |
| Endowment Net Assets, End of Year | \$ 534,516 | \$ 238,031 | \$ 772,547 |

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

UPMIFA requires accumulation of investment returns that have not been appropriated for expenditure to be classified as temporarily restricted.

NOTE 12 - CONDITIONAL PROMISES TO GIVE

During 2013, the YWCA was awarded a conditional promise to give of \$265,000 by a foundation restricted for the capital campaign. The funding is conditional upon the YWCA raising 80% of the capital campaign goal, equating to approximately \$4.2 million. As of September 30, 2013, the YWCA has not satisfied the conditions of the agreement, and the promise to give is not recorded.

NOTE 13 - MAJOR FUNDING SOURCES

The YWCA, which operates exclusively in the State of Michigan, receives a substantial portion of its funding and support through government funding and United Way.

Major funding sources for the YWCA for the years ending September 30 are as follows:

| | 2013 | |
|--|-----------|--------------|
| | % Revenue | % Receivable |
| Funds originating through | | |
| U.S. Department of Justice | 10% | 3% |
| State Department of Human Services | 12% | 3% |
| Private Foundation | 14% | 34% |
| United Way | 7% | 12% |
| | | |
| | 2012 | |
| | % Revenue | % Receivable |
| Funds originating through | | |
| U.S. Department of Housing and Urban Development | 11% | 5% |
| U.S. Department of Justice | 11% | 0% |
| U.S. Department of Health and Human Services | 19% | 4% |
| United Way | 9% | 33% |

While certain of the arrangements under which the YWCA receives funding are for multiple years, most of these arrangements are one year contracts that are renewed annually. Due to uncertainties associated with the current economic conditions in the United States and, to a greater degree, the State of Michigan, specifically future federal and state governmental appropriations, the continuation of funding from these sources may be impacted. If governmental funding of the YWCA's services was significantly decreased or eliminated, the YWCA would need to substantially reduce service offerings and eliminate costs and/or find alternative funding sources.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

NOTE 14 - RETIREMENT PLAN

The YWCA participates in The Young Women's Christian Associate Retirement Fund, Inc. Plan (Plan), a cash balance defined benefit retirement plan administered by the Board of Trustees of the YWCA Retirement Fund (Fund). The Fund is a multi-employer plan that provides retirement benefits under Section 401(a) of the Internal Revenue Code (Code) to employees of YWCAs throughout the United States. The sole requirement for participation is that an employee has completed at least 1,000 hours of service each year in two twelve month periods, commencing on the first date of employment. Contributions to the Plan by the YWCA are equal to 5% of employee compensation for the year ended September 30, 2013. Participants are fully vested in all YWCA contributions. The YWCA has no obligation beyond making the required payments to the plan.

Specific plan information for the YWCA is not available from the Plan's administrator. In the event the Plan is underfunded with respect to paying benefits to the YWCA's employees, and the Plan terminates, the Pension Benefit Guaranty Corporation will take over the Plan and payment of pension benefits, up to the insured limits.

Plan attributes as of December 31, 2012 per the annual funding notice are as follows:

| | The Young Women's Christian Association Retirement Fund |
|--|---|
| Fair market value of plan assets | \$ 445,019,550 |
| Actuarial present value of accumulated Plan benefits | \$ 344,483,306 |
| Funded ratio | 129% |

Retirement contributions totaled \$65,934 and \$56,696 for the years ended September 30, 2013 and 2012, respectively. Additionally, the YWCA participates in a 403(b) Tax Deferred Account which allows participants to make voluntary contributions to the plan.

NOTE 15 - LEASES

The YWCA leases various apartments for tenants in connection with the Transitional Housing Program. Total lease expense was \$95,911 and \$190,209 for the years ended September 30, 2013 and 2012, respectively. The leases expire at various dates through 2014. Future minimum rental payments under lease agreements are \$79,661 for the year ending September 30, 2014.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

The YWCA is the lessor of various housing units and building space. Total tenant rental income was \$77,260 and \$80,586 for the years ended September 30, 2013 and 2012, respectively. The leases expire at various dates through 2014. The cost and accumulated depreciation for the housing units under leasing agreements for the year ended September 30, 2013 totaled \$720,439 and \$106,465, respectively. The cost and accumulated depreciation for the housing units under leasing agreement for the year ended September 30, 2012 totaled \$720,440 and \$88,404, respectively.

Future minimum lease payments to be received under existing lease agreements are \$7,403 for the year ending September 30, 2014.

NOTE 16 - PASS-THROUGH EXPENDITURES AND IN-HOUSE TRANSFERS

The YWCA pays dues to the YWCA USA. In connection with the calculation of dues, certain expenses are excluded. The following is a list of excludable pass-through expenditures and in-house charge backs.

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------|-------------------|-------------------|
| Pass-through Expenditures | | |
| Specific assistance to consumers | \$ 431,633 | \$ 443,515 |
| In-house Charge Backs | | |
| Capital campaign expenses | 171,722 | 53,991 |
| YWCA staff wellness | 4,764 | 4,494 |
| | <u>176,486</u> | <u>58,485</u> |
| TOTAL RECONCILING EXPENSES | <u>\$ 608,119</u> | <u>\$ 502,000</u> |

NOTE 17 - RISKS AND UNCERTAINTIES

The YWCA holds investment securities and beneficial interests in certain trusts. Such investments are exposed to various risks such as fluctuation in interest rate, the securities market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

NOTE 18 - CONTINGENCIES

YWCA West Central Michigan participates in federally funded programs. The programs are subject to the single audit requirements of OMB Circular A-133. The single audit of the federal programs for September 30, 2013 has been conducted and the required reports have been issued. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although YWCA expects such amounts, if any, to be immaterial. Accordingly, no provision has been made for any liabilities that may arise from these circumstances.

The YWCA has implemented FASB guidance related to the accounting for asset retirement obligations. In accordance with this statement, the YWCA's obligation to remove or resolve asbestos containing building materials from the site property was assessed. Because the YWCA is currently unable to estimate a time frame and method of resolution, the liability could not be estimated with reasonable certainty. When such an estimate can be made, and if material in value, a liability will be established.

The YWCA has received the proceeds of grants under the HOME Investment Partnerships Program of HUD. This funding was provided in the form of repayable grants that were fully recognized as revenue during the year ended September 30, 2007, the year that the funds were received. Such funding is subject to certain requirements and conditions as set forth in the repayment agreements. Specifically, these agreements require that the grantee agrees to the placing of liens on the premises being renovated. The liens are required in order to provide security for the repayment of the grants in the event that the properties are sold and/or the units become unaffordable to low-income persons, so as not to violate the intent of the grants. As long as the YWCA is not in default of the terms of this agreement, the liens will be removed.

Specific terms of these grants are as follows:

| Received | Property Funded | Amount | Period |
|----------|--|------------|----------|
| May-07 | Permanent housing units (HOME funds-Kent County) | \$ 393,560 | 15 years |

The YWCA used the proceeds of these grants to cover acquisition and rehabilitation costs not paid by other sources of funding.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013 and 2012

In September 2013, the YWCA was awarded a \$500,000 grant from the Federal Home Loan Bank of Indianapolis (FHLBI). The funds are to be used in the capital campaign renovation project mentioned in Note 1. The funds will be received after supplying all the information required in the grant document, with the first draw required by December 1, 2014. The agreement has various contingencies such as the continued specific use of the property for at least fifteen years, and notifying FHLBI of any intentions to sell the property. Management has agreed to the terms and conditions of the agreement and has intentions to remain compliant through the required period. Revenue will be recorded concurrent with the spending of qualified FHLBI funds.