

**YWCA WEST CENTRAL MICHIGAN**

*MANAGEMENT LETTER*

*September 30, 2009*

## REPORT LETTER

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Board of Directors  
YWCA West Central Michigan  
Grand Rapids, Michigan

In planning and performing our audit of the financial statements of YWCA West Central Michigan for the year ended September 30, 2009, we considered the YWCA's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the YWCA's internal control.

During our audit, we became aware that the management of YWCA West Central Michigan has continually taken measures to strengthen internal controls and improve operating efficiency. Any comments or suggestions that we wished to communicate regarding these matters were minor and were discussed verbally with various YWCA personnel. This letter does not affect our report dated December 10, 2009, on the financial statements of YWCA West Central Michigan.

We would like to commend the efforts and results obtained by your accounting staff once again this year.

We would be pleased to discuss, at your convenience, any additional study of the internal control structure or operating efficiency of YWCA West Central Michigan.

This report is intended solely for the information and use of the Board of Directors, management and others within the YWCA, and is not intended to be and should not be used by anyone other than these specified parties.

*Beene Garter LLP*

December 10, 2009  
Grand Rapids, Michigan

**YWCA WEST CENTRAL MICHIGAN**

*FINANCIAL STATEMENTS*

*Years Ended September 30, 2009 and 2008*

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## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

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Board of Directors  
YWCA West Central Michigan  
Grand Rapids, Michigan

We have audited the accompanying statements of financial position of YWCA West Central Michigan as of September 30, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the YWCA West Central Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YWCA West Central Michigan as of September 30, 2009 and 2008, and the changes in net assets and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued reports dated December 10, 2009 on our consideration of YWCA West Central Michigan's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

*Beene Garter LLP*

December 10, 2009  
Grand Rapids, Michigan

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**FINANCIAL STATEMENTS**

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	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 533,104	\$ 350,005
Accounts receivable		
Trade less allowance for doubtful accounts of \$3,664 and \$3,652 for 2009 and 2008, respectively	28,404	2,110
Grants	101,831	151,060
Interest	29,189	10,749
Promises to give		
United Way	275,809	275,816
Promises to give, less allowance for doubtful promises to give of \$1,017 and \$782 for 2009 and 2008, respectively	21,921	71,487
Prepaid expenses	42,885	34,184
<b>TOTAL CURRENT ASSETS</b>	<b>1,033,143</b>	<b>895,411</b>
<b>Property and Equipment</b>	<b>2,690,883</b>	<b>2,787,662</b>
<b>Other Assets</b>		
Restricted investments		
Permanent housing operating reserve escrow	369,235	386,148
Investments	789,488	845,662
Beneficial interest in perpetual endowment fund		
Grand Rapids Community Foundation	35,013	36,405
Beneficial interests in outside trusts	678,408	677,670
	<u>1,872,144</u>	<u>1,945,885</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,596,170</u></b>	<b><u>\$ 5,628,958</u></b>

**YWCA WEST CENTRAL MICHIGAN**

STATEMENTS OF FINANCIAL POSITION

September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 5,875	\$ 28,880
Accounts payable	33,002	11,371
Accrued liabilities	83,554	103,183
Security deposits	<u>20,864</u>	<u>25,537</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>143,295</b>	168,971
<b>Long-Term Debt, less current maturities</b>	<u><b>570,000</b></u>	<u>575,890</u>
<b>TOTAL LIABILITIES</b>	<b>713,295</b>	744,861
<b>Net Assets</b>		
Unrestricted		
Undesignated	2,848,167	2,713,882
Board designated for endowment		533,092
Board designated - other	<u>75,970</u>	<u>74,840</u>
<b>Total Unrestricted</b>	<b>2,924,137</b>	3,321,814
Temporarily restricted	1,007,586	610,477
Permanently restricted	<u>951,152</u>	<u>951,806</u>
<b>TOTAL NET ASSETS</b>	<u><b>4,882,875</b></u>	<u>4,884,097</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u><b>\$ 5,596,170</b></u></u>	 <u><u><b>\$ 5,628,958</b></u></u>

See accompanying notes



# YWCA WEST CENTRAL MICHIGAN

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Revenue</b>				
Contributions and nongovernment grants net of bad debt of \$1,290	\$ 215,383	\$ 48,958	\$ -	\$ 264,341
In-kind contributions	31,880			31,880
United Way	390,767			390,767
Special events - less expenses of \$83,439, including in-kind expenses of \$10,794	68,172	87,886		156,058
Government grants	2,022,848			2,022,848
Income from outside trust funds	22,916			22,916
Program fees, net of bad debt of \$1,187	263,335			263,335
Interest and dividend income	11,525	36,434		47,959
Membership dues	1,275			1,275
Unrealized gain on revaluation of beneficial interest in outside trusts			738	738
Unrealized loss on revaluation of beneficial interests, Grand Rapids Community Foundation			(1,392)	(1,392)
Realized and unrealized loss on investments		(32,016)		(32,016)
Loss on disposal of property and equipment	(8,152)			(8,152)
Net assets released from restrictions				
Satisfaction of donor restrictions	26,418	(26,418)		-
Appropriation of endowment assets for expenditure	45,260	(45,260)		-
Expiration of time restrictions	205,567	(205,567)		-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>3,297,194</b>	<b>(135,983)</b>	<b>(654)</b>	<b>3,160,557</b>
<b>Expenses</b>				
Program services				
Counseling programs	1,104,664			1,104,664
Housing	1,176,965			1,176,965
Youth programs	202,917			202,917
Center for Women	169,521			169,521
Support services				
Management and general	393,755			393,755
Development and special events	113,957			113,957
<b>TOTAL EXPENSES</b>	<b>3,161,779</b>	<b>-</b>	<b>-</b>	<b>3,161,779</b>
<b>CHANGE IN NET ASSETS</b>	<b>135,415</b>	<b>(135,983)</b>	<b>(654)</b>	<b>(1,222)</b>
Net Assets Reclassified Based on Change in Law	(533,092)	533,092		-
Net Assets at Beginning of Year	3,321,814	610,477	951,806	4,884,097
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2,924,137</b>	<b>\$ 1,007,586</b>	<b>\$ 951,152</b>	<b>\$ 4,882,875</b>

See accompanying notes

# YWCA WEST CENTRAL MICHIGAN

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Revenue</b>				
Contributions and nongovernment grants net of bad debt of \$190	\$ 207,376	\$ 124,175	\$ -	\$ 331,551
United Way	388,645			388,645
Special events - less expenses of \$64,596	59,443	88,940		148,383
Government grants	2,080,233			2,080,233
Income from outside trust funds	26,593			26,593
Program fees, net of bad debt of \$3,091	190,906			190,906
Interest and dividend income	32,987	9,123		42,110
Membership dues	1,000			1,000
Unrealized loss on revaluation of beneficial interest in outside trusts			(144,534)	(144,534)
Unrealized loss on revaluation of beneficial interests, Grand Rapids Community Foundation			(10,974)	(10,974)
Realized and unrealized gain on investments	(196,163)			(196,163)
Gain on disposal of property and equipment	(815)			(815)
Net assets released from restrictions				
Satisfaction of donor restrictions	156,132	(156,132)		-
Expiration of time restrictions	110,870	(110,870)		-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>3,057,207</b>	<b>(44,764)</b>	<b>(155,508)</b>	<b>2,856,935</b>
<b>Expenses</b>				
Program services				
Counseling programs	1,220,208			1,220,208
Housing	1,188,761			1,188,761
Youth programs	200,335			200,335
Special programs	2,026			2,026
Center for Women	153,890			153,890
Support services				
Management and general	328,824			328,824
Development and special events	134,586			134,586
<b>TOTAL EXPENSES</b>	<b>3,228,630</b>	<b>-</b>	<b>-</b>	<b>3,228,630</b>
<b>CHANGE IN NET ASSETS</b>	<b>(171,423)</b>	<b>(44,764)</b>	<b>(155,508)</b>	<b>(371,695)</b>
Net Assets at Beginning of Year	3,493,237	655,241	1,107,314	5,255,792
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 3,321,814</b>	<b>\$ 610,477</b>	<b>\$ 951,806</b>	<b>\$ 4,884,097</b>

See accompanying notes

**YWCA WEST CENTRAL MICHIGAN**  
**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended September 30, 2009

	Program Services			Supporting Services			Total	
	Counseling Programs	Housing	Youth Programs	Center for Women	Management and General	Building Occupancy		Development and Special Events
Salaries	\$ 710,956	\$ 450,697	\$ 101,257	\$ -	\$ 237,221	\$ 50,471	\$ 74,084	\$ 1,624,686
Payroll taxes	69,981	43,701	9,542	-	23,250	5,168	7,502	159,144
Employee benefits	80,896	64,001	12,595	-	28,675	4,855	9,209	200,231
Professional services	55,988	20,408	402	3,616	30,887	9,107	5,121	125,529
Food and household supplies	777	39,153	1,288	-	-	-	-	41,218
Operating supplies and expenses	21,387	10,007	6,561	4,369	20,095	6,786	7,009	76,214
Telephone	10,221	7,670	1,465	-	878	398	448	21,080
Postage	2,532	765	512	-	1,271	4	3,592	8,676
Utilities	-	16,359	-	-	-	106,447	-	122,806
Insurance	5,369	8,947	870	3,095	7,040	3,737	571	29,629
Repairs and maintenance	4,787	32,935	1,064	-	935	62,633	434	102,788
In-kind supplies and services	200	-	-	-	30,285	-	1,395	31,880
Publicity and promotion	4,151	1,175	682	-	12	-	3,130	9,150
Travel and vehicle expense	5,519	11,416	9,073	-	6,080	83	164	32,335
Conferences, training and dues	4,761	961	1,542	-	5,384	147	377	13,172
Direct client assistance	4,270	364,406	2,771	-	-	-	-	371,447
Property taxes	-	11,887	-	-	-	-	-	11,887
Interest	-	-	-	-	1,742	1,006	921	1,006
National YWCA support	8,433	4,656	1,696	921	-	-	-	18,369
	990,228	1,089,144	151,320	12,001	393,755	250,842	113,957	3,001,247
Building occupancy allocation	77,887	30,627	35,118	107,210	-	(250,842)	-	-
Depreciation	36,549	57,194	16,479	50,310	-	-	-	160,532
	114,436	87,821	51,597	157,520	-	(250,842)	-	160,532
<b>Total Expenses</b>	<b>\$ 1,104,664</b>	<b>\$ 1,176,965</b>	<b>\$ 202,917</b>	<b>\$ 169,521</b>	<b>\$ 393,755</b>	<b>\$ -</b>	<b>\$ 113,957</b>	<b>\$ 3,161,779</b>

**YWCA WEST CENTRAL MICHIGAN**  
**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended September 30, 2008

	Program Services					Supporting Services			Total
	Counseling Programs	Housing	Youth Programs	Special Programs	Center for Women	Management and General	Building Occupancy	Development and Special Events	
Salaries	\$ 765,219	\$ 471,592	\$ 89,198	\$ 211	\$ -	\$ 212,881	\$ 53,352	\$ 81,623	\$ 1,674,076
Payroll taxes	76,850	44,946	9,223	29		20,424	5,454	7,803	164,729
Employee benefits	82,243	61,532	15,260	41		23,879	3,226	9,479	195,660
Professional services	87,954	40,032	1,882		2,934	17,799	15,265	6,910	172,776
Food and household supplies	958	48,713	1,808					10	51,489
Operating supplies and expenses	27,785	16,661	7,960	1,745	2,731	13,454	12,784	4,125	87,245
Telephone	9,082	8,398	728			532	642	1,215	20,597
Postage	1,507	864	430			244		5,290	8,335
Utilities		15,751					90,995		106,746
Insurance	9,903	10,927	3,440		3,392	3,614	5,805	684	37,765
Repairs and maintenance	5,051	33,929	866		4	5,950	48,929	266	94,995
In-kind supplies and services	325	1,000				18,400		6,740	26,465
Publicity and promotion	1,261	1,518	814		869	14	14	4,364	8,854
Travel and vehicle expense	14,683	8,268	8,971			4,978	146	623	37,667
Conferences, training and dues	6,457	2,636	2,467			3,408	307	942	16,217
Direct client assistance	3,076	318,571	5,020						326,667
Property taxes		11,795				729	2,313		11,795
Interest								899	3,042
National YWCA support	7,554	5,145	1,691		180	2,518			17,987
	1,099,908	1,102,276	149,758	2,026	10,110	328,824	239,232	130,973	3,063,107
Building occupancy allocation							(239,232)		
Depreciation	79,664	28,469	33,493		95,214			2,392	
	40,636	58,016	17,084		48,566			1,221	165,523
	120,300	86,485	50,577		143,780		(239,232)	3,613	165,523
<b>Total Expenses</b>	<b>\$ 1,220,208</b>	<b>\$ 1,188,761</b>	<b>\$ 200,335</b>	<b>\$ 2,026</b>	<b>\$ 153,890</b>	<b>\$ 328,824</b>	<b>\$ -</b>	<b>\$ 134,586</b>	<b>\$ 3,228,630</b>

See accompanying notes

# YWCA WEST CENTRAL MICHIGAN

## STATEMENTS OF CASH FLOWS

Years Ended September 30, 2009 and 2008

	2009	2008
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (1,222)	\$ (371,695)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Depreciation	160,532	165,523
Unrealized (gain) loss on revaluation of beneficial interest in outside trusts	(738)	144,534
Unrealized loss on revaluation of beneficial interest, Grand Rapids Community Foundation	1,392	10,974
Realized and unrealized loss on investments	32,016	196,163
Loss on disposal of property and equipment	8,152	815
Changes in operating assets and liabilities		
Accounts receivable	4,495	16,115
Promises to give	49,573	(19,950)
Prepaid expenses	(8,701)	11,277
Accounts payable	21,631	(10,926)
Accrued liabilities	(19,629)	10,084
Security deposits	(4,673)	5,921
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>242,828</b>	<b>158,835</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(71,905)	(40,119)
Proceeds from sale of investments	312,226	506,010
Purchases of investments	(288,068)	(512,578)
Decrease in restricted investments	16,913	38,377
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(30,834)</b>	<b>(8,310)</b>
<b>Cash Flows from Financing Activities</b>		
Payments on long-term debt	(28,895)	(22,986)
<b>NET INCREASE IN CASH</b>	<b>183,099</b>	<b>127,539</b>
<b>Cash at Beginning of Year</b>	<b>350,005</b>	<b>222,466</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 533,104</b>	<b>\$ 350,005</b>

See accompanying notes

September 30, 2009 and 2008

**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.

**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**

Cash is held primarily at three financial institutions. From time to time, the YWCA's cash balances may exceed federally insured limits.

**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. Amounts receivable have been recorded when the YWCA has not received funds for a portion of the earned revenue.

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September 30, 2009 and 2008

**Fair Value Measurements**

Effective October 1, 2008, the YWCA adopted Fair Value Measurements and Disclosures which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The fair value hierarchy is categorized into three levels based on the inputs 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.

**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.

## YWCA WEST CENTRAL MICHIGAN

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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September 30, 2009 and 2008

#### **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 \$38,922 and \$25,139 at September 30, 2009 and 2008, respectively.

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, 2009 and 2008, donated services of approximately \$40,000 and \$55,000, respectively, did not meet the recognition criteria, but were used as matching revenue for various funding sources.

During the years ended September 30, 2009 and 2008 donated materials of \$3,752 and \$1,325, respectively, were recorded.

#### **Functional Allocation 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).

U.S. generally accepted accounting principles prescribe a recognition threshold and measurement attributes for financial statement presentation of a tax position taken or expected to be taken in a tax return. In December 2008 the Financial Accounting Standards Board (FASB) provided for deferral of the adoption of applicable provisions regarding uncertain tax positions for certain entities until years beginning subsequent to December 15, 2008. Management has elected to defer the adoption of the applicable provisions. The YWCA will continue to follow the standards for uncertainties and contingencies, as they apply to uncertain tax positions, until the delayed provisions are adopted.

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# YWCA WEST CENTRAL MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2009 and 2008

### Subsequent Events

Management has evaluated significant events or transactions occurring subsequent to September 30, 2009 for potential recognition or disclosure in these financial statements. The evaluation was performed through December 10, 2009 the date the financial statements were available for issuance.

### 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.

### **NOTE 2 - RESTRICTED INVESTMENTS**

The YWCA received a loan from Michigan State Housing Development Authority (MSHDA) (see Note 8) 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 funds consisting of certificates of deposit are deposited with two financial institutions and are not to be combined with other funds. From time to time, the YWCA's operating revenue escrow may exceed federally insured limits. The operating reserve escrow account is to be maintained for the entire term of the program, or until all funds have been exhausted.

### **NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2009</u>	<u>2008</u>
Buildings	\$ 5,080,864	\$ 5,045,221
Equipment	<u>634,991</u>	<u>612,177</u>
	5,715,855	5,657,398
Accumulated depreciation	<u>(3,024,972)</u>	<u>(2,869,736)</u>
	<u>\$ 2,690,883</u>	<u>\$ 2,787,662</u>

**YWCA WEST CENTRAL MICHIGAN**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2009 and 2008

**NOTE 4 - INVESTMENTS**

Investments consist of the following as of September 30:

	2009		
	Cost	Market	Accumulated Appreciation (Depreciation)
Cash & Cash Equivalents	\$ 20,236	\$ 20,236	\$ -
Certificates of Deposit	75,970	75,970	
Equity Securities	468,325	500,738	32,413
Corporate bonds	75,019	75,170	151
Us Government Agencies	86,859	93,384	6,525
Preferred stocks	37,500	23,990	(13,510)
	\$ 763,909	\$ 789,488	\$ 25,579
	2008		
	Cost	Market	Unrealized Accumulated Appreciation (Depreciation)
Equity Securities	\$ 558,707	\$ 560,420	\$ 1,713
Corporate bonds	75,019	70,640	(4,379)
Us Government Agencies	86,859	90,145	3,286
Preferred stocks	37,500	21,075	(16,425)
Money market funds	103,382	103,382	
	\$ 861,467	\$ 845,662	\$ (15,805)

# YWCA WEST CENTRAL MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2009 and 2008

For the valuation of certain cash and cash equivalents, equity securities, corporate bonds, US Government Agencies, and preferred stock at September 30, 2009, the YWCA used quoted prices in principal active markets for identical assets as of the valuation date (Level 1).

For the valuation of certificates of deposit and the beneficial interest in outside trusts at September 30, 2009, the YWCA used significant other observable inputs, including information from fund managers based on quoted market prices (Level 2).

For the valuation of the perpetual endowment fund at September 30, 2009, 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, 2009, on a recurring basis comprise of the following:

Restricted investments	\$ 369,235
Investments	789,488
Beneficial interest in perpetual endowment fund	35,013
Beneficial interest in outside trusts	<u>678,408</u>
	<u><u>\$ 1,872,144</u></u>

**YWCA WEST CENTRAL MICHIGAN**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2009 and 2008

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, 2009:

	Based on			Total
	Level 1	Level 2	Level 3	
	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	
Cash & Cash Equivalents	\$ 20,236	\$ -	\$ -	\$ 20,236
Certificates of Deposit		75,970		75,970
Equity Securities	500,738			500,738
Corporate Bonds	75,170			75,170
US Government Agencies	93,384			93,384
Preferred stocks	23,990			23,990
Restricted Certificates of Deposit		369,235		369,235
Beneficial Interest in perpetual endowment fund			35,013	35,013
Beneficial Interest in outside trusts		678,408		678,408
	<u>\$ 713,518</u>	<u>\$ 1,047,643</u>	<u>\$ 35,013</u>	<u>\$ 1,872,144</u>

Following is a reconciliation of activity for the year ended September 30, 2009 for assets measured at fair value based on significant unobservable (Level 3) information:

	Level 3 Investments
Balance at September 30, 2008	\$ 36,405
Unrealized losses	(749)
Net additions, purchases, sales, and maturities	(643)
Balance at September 30, 2009	<u>\$ 35,013</u>

September 30, 2009 and 2008

**NOTE 5 - 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.

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 6 - BENEFICIAL INTERESTS IN OUTSIDE TRUSTS**

The YWCA is an income beneficiary of several outside perpetual trusts having market values that aggregate \$1,779,025 and \$1,793,673 at September 30, 2009 and 2008, 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 7 - 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, 2009) less one-half percent. The note expires in July 2010. There were no borrowings on the line of credit as of September 30, 2009 or 2008.

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**YWCA WEST CENTRAL MICHIGAN**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2009 and 2008

**NOTE 8 - LONG-TERM DEBT**

	<u>2009</u>	<u>2008</u>
Note payable to MSHDA bearing no interest. Note is due in May 2057 and is secured by certain real estate. The loan document and funding agreement specify certain occupancy restrictions and various covenants. Management represents compliance with all restrictions and covenants at September 30, 2009	\$ 570,000	\$ 570,000
Unsecured note payable with a bank in monthly payments of \$2,277, including interest at 5%, due in April 2010	<u>5,875</u>	<u>34,770</u>
Current maturities	<u>575,875</u> <u>(5,875)</u>	604,770 <u>(28,880)</u>
	<u>\$ 570,000</u>	<u>\$ 575,890</u>

Current maturities of long-term debt for the years following September 30, 2009 are as follows:

2010	\$ 5,875
Thereafter	<u>570,000</u>
	<u>\$ 575,875</u>

Cash paid for interest was \$1,006 and \$3,042 in 2009 and 2008, respectively.

# YWCA WEST CENTRAL MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2009 and 2008

### NOTE 9 - RESTRICTIONS ON ASSETS

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

	<u>2009</u>	<u>2008</u>
Permanent housing	\$ 372,937	\$ 382,892
Sponsorships for future events	86,144	88,940
Endowment fund - includes the total investment return from the permanently restricted endowment fund	475,787	
Grants for future time periods	<u>72,718</u>	<u>138,645</u>
	<u>\$ 1,007,586</u>	<u>\$ 610,477</u>

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

	<u>2009</u>	<u>2008</u>
Beneficial interests in outside trusts	\$ 678,408	\$ 677,670
Endowment fund - includes the principal amount of permanently restricted gifts and bequests from donors	237,731	237,731
Beneficial interest in perpetual endowment fund	<u>35,013</u>	<u>36,405</u>
	<u>\$ 951,152</u>	<u>\$ 951,806</u>

September 30, 2009 and 2008

**NOTE 10 - ENDOWMENT FUND**

In 2008, the Financial Accounting Standards Board issued Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and is effective for fiscal years ending after December 15, 2008. UPMIFA is a model act approved by the Uniform Law Commission (ULC; formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. This standard also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. In September 2009, the State of Michigan formally enacted UPMIFA.

The YWCA West Central Michigan's long-term investment endowment funds consist of funds held at one financial institution and 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. Its endowment includes both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. 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, 2009 and 2008.



September 30, 2009 and 2008

**Return Objectives and Risk Parameters**

Over the investment horizon (ten (10) + years) established in the YWCA West Central Michigan policy, it is the goal of the aggregate Fund assets to exceed the rate of inflation (as measured by the Consumer Price Index) by five percent (5%). The YWCA West Central Michigan realizes that there are many ways to define risk. It believes 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 of returns and fluctuations of market value. It states that the Fund could tolerate a maximum loss of twenty percent (20%) over any one (1) year period, and a maximum loss of zero percent (0%) over the investment horizon. Therefore, the YWCA supports an investment strategy that minimizes the probability of losses greater than stated above. However, it realizes that the Fund's return objective is its primary concern. There is, of course, no guarantee that the Fund will not sustain losses greater than those stated herein.

**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. As of September 30, 2009, the board approved a spending policy of 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. The normal practice is to take distributions in equal monthly installments.

# YWCA WEST CENTRAL MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2009 and 2008

Endowment net asset composition by type of fund as of September 30, 2009:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 237,731	\$ 237,731
Board-designated endowment funds	475,787		475,787
<b>Total Funds</b>	<b>\$ 475,787</b>	<b>\$ 237,731</b>	<b>\$ 713,518</b>

Changes in endowment net assets for the year ended September 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ 533,092	\$ -	\$ 237,731	\$ 770,823
Net asset reclassification based on change in state law	(533,092)	533,092		
Investment return:				
Investment income		25,051		25,051
Net depreciation (realized and unrealized)		(32,016)		(32,016)
Investment fees		(5,080)		(5,080)
<b>Total Investment Return</b>	-	(12,045)	-	(12,045)
Appropriation of endowment assets for expenditures		(45,260)		(45,260)
<b>Endowment Net Assets, End of Year</b>	<b>\$ -</b>	<b>\$ 475,787</b>	<b>\$ 237,731</b>	<b>\$ 713,518</b>

September 30, 2009 and 2008

UPMIFA requires accumulation of investment returns that have not been appropriated for expenditure to be classified as temporarily restricted. Prior to the adoption of UPMIFA, the board designated the accumulation of investment returns as unrestricted net assets board designated for endowment. Under UPMIFA, the unrestricted amounts are being reclassified as temporarily restricted net assets.

**NOTE 11 - RETIREMENT PLAN**

The YWCA participates in a contributory retirement plan administered by the YWCA Retirement Fund Incorporated. Contributions to the plan are made by the YWCA based on the salaries of eligible employees. Retirement contributions amounted to \$57,509 and \$59,558 for the years ended September 30, 2009 and 2008, respectively. The YWCA has no obligation beyond making the required payments to the plan.

**NOTE 12 - 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. Approximately 62% of the public support and revenue was provided by five primary funding sources during the year ended September 30, 2009. The primary government funding sources include the U.S. Department of Housing and Urban Development (12%), the U.S. Department of Health and Human Services (22%), and the State of Michigan and/or County of Kent Department of Health and Human Services (16%). In addition, the YWCA receives 12% of their total funding from United Way. Related receivables from these five funding sources were approximately 78% of total accounts and grants receivable and promises to give as of September 30, 2009.

In 2008, approximately 67% of the public support and revenue was provided by four funding sources. Related receivables from these funding sources were approximately 69% of total accounts and grants receivable and promises to give as of September 30, 2008.

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)

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September 30, 2009 and 2008

### NOTE 13 - LEASES

The YWCA leases various apartments for tenants in connection with the Transitional Housing Program. Total lease expense was \$291,174 and \$260,090 for the years ended September 30, 2009 and 2008, respectively. The leases expire at various dates through 2010. Future minimum rental payments under lease agreements are \$96,570 for the year ending September 30, 2010 and \$1,198 for the year ending September 30, 2011.

The YWCA is the lessor of various housing units and building space. Total tenant rental income was \$94,825 and \$81,092 for the years ended September 30, 2009 and 2008, respectively. The leases expire at various dates through 2010. The cost and accumulated depreciation for the housing units under leasing agreements for the year ended September 30, 2009 totaled \$714,782 and \$34,436, respectively. The cost and accumulated depreciation for the housing units under leasing agreement for the year ended September 30, 2008 totaled \$714,782 and \$16,881, respectively.

Future minimum lease payments to be received under existing lease agreements are as follows:

Year ending September 30:

2010	\$ 12,147
2011	<u>1,155</u>
	<u>\$ 13,302</u>

# YWCA WEST CENTRAL MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2009 and 2008

### NOTE 14 - PASS-THROUGH EXPENDITURES AND IN-HOUSE TRANSFERS

The YWCA pays dues to the YWCAs of the Great Lakes Alliance. 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>2009</u>	<u>2008</u>
<b>Pass-through Expenditures</b>		
Miscellaneous housing providers	\$ 300,744	\$ 272,279
Specific assistance to consumers	88,497	83,010
Miscellaneous consulting/contractual	75	525
InterUrban Transit Partners	7,891	10,928
Childcare providers	<u>2,073</u>	<u>1,817</u>
	399,280	368,559
<b>In-house Charge Backs</b>		
YWCA counseling	8,505	10,589
YWCA staff wellness	<u>4,284</u>	<u>4,759</u>
	<u>12,789</u>	<u>15,348</u>
<b>TOTAL RECONCILING EXPENSES</b>	<u>\$ 412,069</u>	<u>\$ 383,907</u>

### NOTE 15 - 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, 2009 and 2008

### NOTE 16 - 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, 2009 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 the provisions of Accounting for Asset Retirement Obligations, effective with the year ended September 30, 2008. 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 payor will forgive the outstanding amounts as listed below.

Specific terms of these grants are as follows:

<u>Received</u>	<u>Property Funded</u>	<u>Amount</u>	<u>Period</u>
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.

### NOTE 17 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 presentation.