

YWCA WEST CENTRAL MICHIGAN

FINANCIAL STATEMENTS

Years Ended September 30, 2012 and 2011

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	2
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

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, 2012 and 2011, 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, 2012 and 2011, 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 12, 2012 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 12, 2012
Grand Rapids, Michigan

FINANCIAL STATEMENTS

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 514,055	\$ 462,173
Accounts receivable		
Trade less allowance for doubtful accounts of \$2,054 and \$5,485 for 2012 and 2011, respectively	25,970	23,614
Grants	175,363	241,793
Interest	13,057	57,832
Promises to give		
United Way	236,226	236,203
Promises to give, current maturities, less allowance for doubtful promises to give of \$394 and \$738 for 2012 and 2011, respectively	107,450	25,179
Prepaid expenses	85,579	83,069
TOTAL CURRENT ASSETS	1,157,700	1,129,863
Property and Equipment	2,390,136	2,500,454
Other Assets		
Promises to give, less current maturities, less allowance for doubtful promises to give of \$3,620 and \$0, and discount of \$11,633 and \$0 for 2012 and 2011, respectively	252,913	8,000
Replacement reserve	17,671	-
Restricted investments		
Permanent housing operating reserve escrow	331,783	295,697
Investments	772,547	672,782
Beneficial interest in perpetual endowment fund	38,449	34,295
Beneficial interests in outside trusts	724,546	655,912
	<u>2,137,909</u>	<u>1,666,686</u>
TOTAL ASSETS	<u>\$ 5,685,745</u>	<u>\$ 5,297,003</u>

YWCA WEST CENTRAL MICHIGAN**STATEMENTS OF FINANCIAL POSITION**

September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 28,682	\$ 36,193
Accrued liabilities	109,768	104,769
Security deposits	11,013	14,165
TOTAL CURRENT LIABILITIES	149,463	155,127
Long-Term Debt	570,000	570,000
TOTAL LIABILITIES	719,463	725,127
Net Assets		
Unrestricted		
Undesignated	2,210,904	2,398,122
Board designated - other	200,475	134,559
Total Unrestricted	2,411,379	2,532,681
Temporarily restricted	1,553,877	1,111,056
Permanently restricted	1,001,026	928,139
TOTAL NET ASSETS	4,966,282	4,571,876
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,685,745</u>	<u>\$ 5,297,003</u>

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 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 ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue				
Contributions and nongovernment grants net of bad debt of \$702	\$ 175,801	\$ 1,000	\$ 200	\$ 177,001
In-kind contributions	20,147	-	-	20,147
United Way	23,026	314,937	-	337,963
Special events - less expenses of \$62,224, including in-kind expenses of \$7,655	77,462	79,765	-	157,227
Government grants	2,108,649	-	-	2,108,649
Income from outside trust funds	46,127	-	-	46,127
Program fees, net of bad debt of \$4,766	338,791	-	-	338,791
Interest and dividend income, net of \$5,754 fees	2,355	31,817	-	34,172
Membership dues	325	-	-	325
Unrealized loss on revaluation of beneficial interest in outside trusts	-	-	(54,522)	(54,522)
Unrealized loss on revaluation of beneficial Foundation	-	-	(2,843)	(2,843)
Realized and unrealized loss on investments	-	(8,580)	-	(8,580)
Net assets released from restrictions				
Satisfaction of donor restrictions	32,857	(32,857)	-	-
Appropriation of endowment assets for expenditure	41,398	(41,398)	-	-
Expiration of time restrictions	443,944	(443,944)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	3,310,882	(99,260)	(57,165)	3,154,457
Expenses				
Program services				
Counseling programs	1,122,471	-	-	1,122,471
Housing	1,424,699	-	-	1,424,699
Youth programs	163,902	-	-	163,902
Center for Women	201,046	-	-	201,046
Special Programs	5,172	-	-	5,172
Support services				
Management and general	343,985	-	-	343,985
Development and special events	139,760	-	-	139,760
TOTAL EXPENSES	3,401,035	-	-	3,401,035
CHANGE IN NET ASSETS	(90,153)	(99,260)	(57,165)	(246,578)
Net Assets at Beginning of Year	2,622,834	1,210,316	985,304	4,818,454
NET ASSETS AT END OF YEAR	\$ 2,532,681	\$ 1,111,056	\$ 928,139	\$ 4,571,876

See accompanying notes

YWCA WEST CENTRAL MICHIGAN
STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2012

	Program Services					Supporting Services				Total
	Counseling Programs	Housing	Youth Programs	Center for Women	Special Programs	Management and General		Fundraising		
						Management and General	Building Occupancy	Development and Special Events	Capital Campaign	
Salaries	\$ 850,545	\$ 495,317	\$ 60,552	\$ -	\$ 2,002	\$ 256,702	\$ 61,636	\$ 74,380	\$ -	\$ 1,801,134
Payroll taxes	82,655	47,472	6,391	-	178	24,277	6,049	6,841	-	173,863
Employee benefits	96,834	72,290	11,237	60	181	26,869	12,534	10,199	-	230,204
Professional services	44,109	10,991	1,406	3,356	-	35,268	15,647	6,736	50,462	167,975
Food and household supplies	845	35,210	614	-	-	-	-	-	-	36,669
Operating supplies and expenses	38,302	14,027	6,598	1,902	1,574	20,464	5,121	10,947	634	99,569
Telephone	14,034	6,965	1,729	-	-	2,059	1,361	1,040	-	27,188
Postage	1,035	777	137	-	1	1,093	13	1,936	72	5,064
Utilities	-	16,529	-	-	-	-	92,939	-	-	109,468
Insurance	2,906	13,081	1,534	3,542	-	4,827	2,697	545	-	29,132
Repairs and maintenance	5,878	37,374	1,648	1	22	907	55,233	1,052	49	102,164
In-kind supplies and services	1,011	1,420	-	-	-	-	-	22,628	1,822	26,881
Publicity and promotion	2,130	1,518	1,073	-	5	-	-	2,251	578	7,555
Travel and vehicle expense	25,218	10,496	4,553	-	6	5,598	242	426	374	46,913
Conferences, training and dues	10,360	2,245	1,393	-	384	1,306	150	505	-	16,343
Direct client assistance	8,051	395,596	3,199	-	7	-	-	-	-	406,853
Property taxes	-	8,881	-	-	-	-	744	-	-	9,625
National YWCA support	5,796	6,526	1,445	1,161	34	1,908	244	890	-	18,004
	1,189,709	1,176,715	103,509	10,022	4,394	381,278	254,610	140,376	53,991	3,314,504
Building occupancy allocation	76,637	26,880	16,550	131,997	-	-	(254,610)	2,546	-	-
Depreciation	33,477	56,014	7,229	57,834	-	-	-	1,112	-	155,666
	110,114	82,894	23,779	189,831	-	-	(254,610)	3,658	-	155,666
Total Expenses	\$ 1,299,823	\$ 1,259,609	\$ 127,288	\$ 199,853	\$ 4,394	\$ 381,278	\$ -	\$ 144,034	\$ 53,991	\$ 3,470,270

YWCA WEST CENTRAL MICHIGAN

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2011

	Program Services					Supporting Services			Total
	Counseling Programs	Housing	Youth Programs	Center for Women	Special Programs	Management and General	Building Occupancy	Development and Special Events	
Salaries	\$ 729,689	\$ 527,900	\$ 89,549	\$ -	\$ 2,288	\$ 230,076	\$ 56,545	\$ 66,219	\$ 1,702,266
Payroll taxes	67,683	48,962	8,703	-	217	21,479	5,603	5,862	158,509
Employee benefits	82,821	84,127	13,740	-	412	30,862	9,169	9,363	230,494
Professional services	34,712	10,997	1,512	3,579	-	34,154	15,309	18,521	118,784
Food and household supplies	762	57,223	334	-	-	-	-	-	58,319
Operating supplies and expenses	31,147	16,845	6,227	2,062	2,039	8,005	4,902	6,921	78,148
Telephone	11,948	6,871	1,954	-	-	1,759	1,322	932	24,786
Postage	1,047	920	119	-	8	1,167	50	1,559	4,870
Utilities	-	17,585	-	-	-	-	95,057	-	112,642
Insurance	3,245	13,330	1,679	3,808	-	4,773	2,902	581	30,318
Repairs and maintenance	6,608	29,190	3,125	1	85	759	55,640	675	96,083
In-kind supplies and services	171	927	-	-	-	889	-	18,160	20,147
Publicity and promotion	2,091	8,031	1,152	-	-	11	9	3,056	14,350
Travel and vehicle expense	20,418	7,843	3,312	-	84	5,142	229	1,976	39,004
Conferences, training and dues	13,361	2,793	1,024	-	3	3,127	59	3,080	23,447
Direct client assistance	3,346	496,309	974	-	-	-	-	2,000	502,629
Property taxes	75	9,416	-	-	-	-	812	-	10,303
National YWCA support	5,133	6,774	1,640	1,318	36	1,782	-	855	17,538
	1,014,257	1,345,043	135,044	10,768	5,172	343,985	247,608	139,760	3,242,637
Building occupancy allocation	74,282	22,904	19,809	130,613	-	-	(247,608)	-	-
Depreciation	33,932	55,752	9,049	59,665	-	-	-	-	158,398
	108,214	78,656	28,858	190,278	-	-	(247,608)	-	158,398
Total Expenses	\$ 1,122,471	\$ 1,424,599	\$ 163,902	\$ 201,046	\$ 5,172	\$ 343,985	\$ -	\$ 139,760	\$ 3,401,035

YWCA WEST CENTRAL MICHIGAN

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 394,406	\$ (246,578)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Contributions received for long-term purposes	(465,000)	-
Depreciation	155,666	158,398
Unrealized (gain) loss on revaluation of beneficial interest in outside trusts	(68,634)	54,522
Unrealized (gain) loss on revaluation of beneficial interest, Grand Rapids Community Foundation	(4,153)	2,843
Realized and unrealized (gain) loss on investments	(116,588)	8,580
Changes in operating assets and liabilities		
Accounts receivable	108,849	(116,612)
Promises to give	34,793	47,477
Prepaid expenses	(2,510)	6,871
Accounts payable	(7,511)	(1,362)
Accrued liabilities	4,999	15,489
Security deposits	(3,152)	(8,433)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	31,165	(78,805)
Cash Flows from Investing Activities		
Purchase of property and equipment	(45,349)	(20,279)
Proceeds from sale of investments	342,967	542,758
Purchases of investments	(321,856)	(517,016)
Increase in replacement reserve	(17,671)	-
Proceeds from sale of restricted investments	564,626	-
Purchases of restricted investments	(605,000)	30,000
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(82,283)	35,463
Cash Flows from Financing Activities		
Proceeds from contributions receivable restricted for long-term purposes	103,000	-
NET INCREASE (DECREASE) IN CASH	51,882	(43,342)
Cash and Cash Equivalents at Beginning of Year	462,173	505,515
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 514,055	\$ 462,173
Supplementary Information		
Purchase of property and equipment funded by accounts payable	\$ -	\$ 18,953

See accompanying notes

September 30, 2012 and 2011

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, 2012, the YWCA has started 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 two financial institutions. From time to time, the YWCA's cash balances may exceed federally insured limits.

September 30, 2012 and 2011

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, 2012 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.

September 30, 2012 and 2011

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.

September 30, 2012 and 2011

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 \$25,031 and \$16,344 at September 30, 2012 and 2011, 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, 2012 and 2011, donated services of approximately \$54,000 and \$52,000, respectively, did not meet the recognition criteria, but were used as matching revenue for various funding sources.

During the years ended September 30, 2012 and 2011 donated materials of \$12,109 and \$11,458, 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).

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 2008.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012 and 2011

Subsequent Events

Management has evaluated significant events or transactions occurring subsequent to September 30, 2012 for potential recognition or disclosure in these financial statements. The evaluation was performed through December 12, 2012 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.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 presentation.

NOTE 2 - PROMISES TO GIVE

Promises to give are as follows:

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	\$ 344,070	\$ 262,120
Less allowance for doubtful promises	<u>(394)</u>	<u>(738)</u>
Net receivable in less than one year	<u>343,676</u>	<u>261,382</u>
Receivable in one to five years	268,166	8,000
Less discount on long term promises	(11,633)	-
Less allowance for doubtful promises	<u>(3,620)</u>	<u>-</u>
Net receivable in one to five years	<u>252,913</u>	<u>8,000</u>
	<u>\$ 596,589</u>	<u>\$ 269,382</u>

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012 and 2011

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2012</u>	<u>2011</u>
Building and land improvements	\$ 5,092,491	\$ 5,123,947
Equipment	617,043	620,019
Construction in progress	43,691	-
	<u>5,753,225</u>	<u>5,743,966</u>
Accumulated depreciation	<u>(3,363,089)</u>	<u>(3,243,512)</u>
	<u>\$ 2,390,136</u>	<u>\$ 2,500,454</u>

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.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012 and 2011

Investments consist of the following as of September 30:

	2012		
	Cost	Market	Accumulated Appreciation (Depreciation)
Cash and cash equivalents	\$ 21,000	\$ 21,000	\$ -
Equity securities	348,374	426,853	78,479
Corporate bonds	170,261	170,522	261
US Government Agencies	29,848	29,539	(309)
Preferred stocks	12,515	12,945	430
Other assets	104,442	111,688	7,246
	\$ 686,440	\$ 772,547	\$ 86,107
	2011		
	Cost	Market	Accumulated Appreciation (Depreciation)
Cash and cash equivalents	\$ 10,195	\$ 10,195	\$ -
Equity securities	495,881	460,460	(35,421)
Corporate bonds	102,006	100,731	(1,275)
US Government Agencies	67,517	65,965	(1,552)
Preferred stocks	12,485	12,515	30
Other assets	26,880	22,916	(3,964)
	\$ 714,964	\$ 672,782	\$ (42,182)

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012 and 2011

Restricted investments consist of:

	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)
	2011		
	Cost	Market	Accumulated Appreciation (Depreciation)
Certificates of deposit	\$ 295,697	\$ 295,697	\$ -

For the valuation of certain cash and cash equivalents, certificates of deposit, equity securities, corporate bonds, US Government Agencies, preferred stock and other assets at September 30, 2012 and 2011, 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, 2012 and 2011, 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.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012 and 2011

Assets measured at fair value at September 30, 2012 and 2011, on a recurring basis consist of the following:

	2012	2011
Investments	\$ 772,547	\$ 672,782
Restricted investments	331,783	295,697
Beneficial interest in perpetual endowment fund	38,449	34,295
Beneficial interest in outside trusts	724,546	655,912
	\$ 1,867,325	\$ 1,658,686

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:

	2012			
	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
	\$ 949,893	\$ 154,437	\$ 762,995	\$ 1,867,325

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012 and 2011

	2011			Total
	Based on			
	Level 1	Level 2	Level 3	
	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	
Cash and cash equivalents	\$ 10,195	\$ -	\$ -	\$ 10,195
Certificate of deposit	295,697	-	-	295,697
Equity securities	460,460	-	-	460,460
Corporate bonds	100,731	-	-	100,731
U.S. government agencies	65,965	-	-	65,965
Preferred stocks	12,515	-	-	12,515
Other assets	22,916	-	-	22,916
Security backed investments	-	-	-	-
Beneficial interest in perpetual endowment fund	-	-	34,295	34,295
Beneficial interest in outside trusts	-	-	655,912	655,912
	<u>\$ 968,479</u>	<u>\$ -</u>	<u>\$ 690,207</u>	<u>\$ 1,658,686</u>

Following is a reconciliation of activity for the years ended September 30, 2012 and 2011 for assets measured at fair value based on significant unobservable (Level 3) information:

	Level 3 Investments
Balance at October 1, 2010	\$ 747,573
Unrealized losses	(55,559)
Net additions, purchases, sales, and maturities	<u>(1,807)</u>
Balance at September 30, 2011	690,207
Unrealized gains	74,503
Net additions, purchases, sales, and maturities	<u>(1,715)</u>
Balance at September 30, 2012	<u>\$ 762,995</u>

September 30, 2012 and 2011

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.

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 \$1,916,329 and \$1,730,522 at September 30, 2012 and 2011, 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, 2012) less one-half percent, with a floor of 4.0%. The note expires in July 2013. There were no borrowings on the line of credit as of September 30, 2012 or 2011.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012 and 2011

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. The loan document and funding agreement specify certain restrictions and various covenants. Management represents compliance with all restrictions and covenants at September 30, 2012.

NOTE 10 - RESTRICTIONS ON ASSETS

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

	<u>2012</u>	<u>2011</u>
Permanent housing	\$ 331,783	\$ 340,936
Sponsorships for future events	67,393	92,066
Endowment fund - includes the total investment return from the permanently restricted endowment fund	534,516	434,851
United Way allocation	236,226	236,203
Capital campaign	383,959	-
Grants for future time periods	-	7,000
	<u>\$ 1,553,877</u>	<u>\$ 1,111,056</u>

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

	<u>2012</u>	<u>2011</u>
Beneficial interests in outside trusts	\$ 724,546	\$ 655,913
Endowment fund - includes the principal amount of permanently restricted gifts and bequests from donors	238,031	237,931
Beneficial interest in perpetual endowment fund	38,449	34,295
	<u>\$ 1,001,026</u>	<u>\$ 928,139</u>

September 30, 2012 and 2011

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 one financial institution. 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, 2012 and 2011.

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, 2012 and 2011

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:

	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

	2011		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 237,931	\$ 237,931
Board-designated endowment funds	434,851	-	434,851
Total Funds	\$ 434,851	\$ 237,931	\$ 672,782

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012 and 2011

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

	<u>2012</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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 appreciation (realized and unrealized)	120,876	-	120,876
Investment fees	<u>(5,477)</u>	<u>-</u>	<u>(5,477)</u>
Total Investment Return	140,039	100	140,139
Appropriation of endowment assets for expenditures	<u>(40,374)</u>	<u>-</u>	<u>(40,374)</u>
Endowment Net Assets, End of Year	<u>\$ 534,516</u>	<u>\$ 238,031</u>	<u>\$ 772,547</u>
	<u>2011</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 469,374	\$ 237,931	\$ 707,305
Investment return:			
Investment income	21,209	-	21,209
Net depreciation (realized and unrealized)	(8,580)	-	(8,580)
Investment fees	<u>(5,754)</u>	<u>-</u>	<u>(5,754)</u>
Total Investment Return	6,875	-	6,875
Appropriation of endowment assets for expenditures	<u>(41,398)</u>	<u>-</u>	<u>(41,398)</u>
Endowment Net Assets, End of Year	<u>\$ 434,851</u>	<u>\$ 237,931</u>	<u>\$ 672,782</u>

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

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012 and 2011

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.

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

	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%

	2011	
	% Revenue	% Receivable
Funds originating through		
U.S. Department of Housing and Urban Development	13%	6%
U.S. Department of Justice	13%	10%
U.S. Department of Health and Human Services	28%	16%
United Way	11%	51%

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.

NOTE 13 - 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 \$56,696 and \$59,068 for the years ended September 30, 2012 and 2011, respectively. The YWCA has no obligation beyond making the required payments to the plan.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012 and 2011

NOTE 14 - LEASES

The YWCA leases various apartments for tenants in connection with the Transitional Housing Program. Total lease expense was \$190,209 and \$191,501 for the years ended September 30, 2012 and 2011, respectively. The leases expire at various dates through 2013. Future minimum rental payments under lease agreements are \$86,118 for the year ending September 30, 2013.

The YWCA is the lessor of various housing units and building space. Total tenant rental income was \$80,586 and \$94,336 for the years ended September 30, 2012 and 2011, respectively. The leases expire at various dates through 2013. The cost and accumulated depreciation for the housing units under leasing agreements for the year ended September 30, 2012 totaled \$720,440 and \$88,404, respectively. The cost and accumulated depreciation for the housing units under leasing agreement for the year ended September 30, 2011 totaled \$720,440 and \$70,283, respectively.

Future minimum lease payments to be received under existing lease agreements are \$8,890 for the year ending September 30, 2013.

NOTE 15 - 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>2012</u>	<u>2011</u>
Pass-through Expenditures		
Specific assistance to consumers	\$ 443,515	\$ 560,948
In-house Charge Backs		
Capital campaign expenses	53,991	10,000
YWCA staff wellness	4,494	4,626
	<u>58,485</u>	<u>14,626</u>
TOTAL RECONCILING EXPENSES	<u>\$ 502,000</u>	<u>\$ 575,574</u>

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012 and 2011

NOTE 16 - 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

NOTE 17 - 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, 2012 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.