

# YWCA WEST CENTRAL MICHIGAN

## *FINANCIAL STATEMENTS*

*Years Ended September 30, 2010 and 2009 (Restated)*

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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, 2010 and 2009 (restated), the related statements of changes in net assets, activities, 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, 2010 and 2009 (restated), and the changes in net assets and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the financial statements, balances in net asset categories have been reclassified to properly reflect time restrictions on certain funding. Accordingly, the 2009 financial statements have been restated for this adjustment.

In accordance with Government Auditing Standards, we have also issued reports dated December 9, 2010 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 9, 2010  
Grand Rapids, Michigan

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**FINANCIAL STATEMENTS**

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 505,515	\$ 533,104
Accounts receivable		
Trade less allowance for doubtful accounts of \$2,023 and \$3,664 for 2010 and 2009, respectively	25,869	28,404
Grants	136,429	101,831
Interest	44,329	29,189
Promises to give		
United Way	275,811	275,809
Promises to give, current maturities, less allowance for doubtful promises to give of \$744 and \$1,017 for 2010 and 2009, respectively	27,048	21,921
Prepaid expenses	89,940	42,885
<b>TOTAL CURRENT ASSETS</b>	<b>1,104,941</b>	<b>1,033,143</b>
<b>Property and Equipment</b>	<b>2,619,618</b>	<b>2,690,883</b>
<b>Other Assets</b>		
Promises to give, less current maturities	14,000	-
Restricted certificates of deposit		
Permanent housing operating reserve escrow	325,697	369,235
Investments	707,105	789,488
Beneficial interest in perpetual endowment fund		
Grand Rapids Community Foundation	37,139	35,013
Beneficial interests in outside trusts	710,434	678,408
	<u>1,794,375</u>	<u>1,872,144</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,518,934</u></b>	<b><u>\$ 5,596,170</u></b>

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

September 30, 2010 and 2009 (Restated)

	<u>2010</u>	<u>2009</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ -	\$ 5,875
Accounts payable	18,602	33,002
Accrued liabilities	89,280	83,554
Security deposits	<u>22,598</u>	<u>20,864</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>130,480</b>	143,295
<b>Long-Term Debt, less current maturities</b>	<u><b>570,000</b></u>	<u>570,000</u>
<b>TOTAL LIABILITIES</b>	<b>700,480</b>	713,295
<b>Net Assets</b>		
Unrestricted		
Undesignated	2,489,814	2,572,358
Board designated - other	<u>133,020</u>	<u>75,970</u>
<b>Total Unrestricted</b>	<b>2,622,834</b>	2,648,328
Temporarily restricted	1,210,316	1,283,395
Permanently restricted	<u>985,304</u>	<u>951,152</u>
<b>TOTAL NET ASSETS</b>	<u><b>4,818,454</b></u>	<u>4,882,875</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 5,518,934</b></u>	<u>\$ 5,596,170</u>

See accompanying notes

**YWCA WEST CENTRAL MICHIGAN**

**STATEMENTS OF CHANGES IN NET ASSETS**

Years Ended September 30, 2010 and 2009 (Restated)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>NET ASSETS AT OCTOBER 1, 2008 AS PREVIOUSLY REPORTED</b>	\$ 3,321,814	\$ 610,477	\$ 951,806	\$ 4,884,097
Prior period adjustment - Reclassification of net assets (Note 2)	<u>(275,816)</u>	<u>275,816</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS AT OCTOBER 1, 2008 AS RESTATED</b>	3,045,998	886,293	951,806	4,884,097
Net assets reclassified based on change in law	(533,092)	533,092	-	-
Changes in net assets - as restated	<u>135,422</u>	<u>(135,990)</u>	<u>(654)</u>	<u>(1,222)</u>
<b>NET ASSETS AT SEPTEMBER 30, 2009</b>	2,648,328	1,283,395	951,152	4,882,875
Changes in net assets	<u>(25,494)</u>	<u>(73,079)</u>	<u>34,152</u>	<u>(64,421)</u>
<b>NET ASSETS AT SEPTEMBER 30, 2010</b>	<u>\$ 2,622,834</u>	<u>\$ 1,210,316</u>	<u>\$ 985,304</u>	<u>\$ 4,818,454</u>

See accompanying notes

# YWCA WEST CENTRAL MICHIGAN

## STATEMENT OF ACTIVITIES

Year Ended September 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Revenue</b>				
Contributions and nongovernment grants net of bad debt of \$1,500	\$ 248,881	\$ 17,500	\$ -	\$ 266,381
In-kind contributions United Way	48,927	390,360		48,927 390,360
Special events - less expenses of \$61,739, including in-kind expenses of \$9,691	65,762	94,300		160,062
Government grants	1,732,693			1,732,693
Income from outside trust funds	24,565			24,565
Program fees, net of bad debt of \$6,283	294,727			294,727
Interest and dividend income	9,218	31,686		40,904
Membership dues	825			825
Unrealized gain on revaluation of beneficial interest in outside trusts			32,026	32,026
Unrealized gain on revaluation of beneficial interests, Grand Rapids Community Foundation	2,109		2,126	4,235
Realized and unrealized gain on investments		22,288		22,288
Gain on disposal of property and equipment	250			250
Net assets released from restrictions				
Satisfaction of donor restrictions	32,768	(32,768)		-
Appropriation of endowment assets for expenditure	43,126	(43,126)		-
Expiration of time restrictions	553,319	(553,319)		-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>3,057,170</b>	<b>(73,079)</b>	<b>34,152</b>	<b>3,018,243</b>
<b>Expenses</b>				
Program services				
Counseling programs	952,327			952,327
Housing	1,321,590			1,321,590
Youth programs	184,830			184,830
Center for Women	128,232			128,232
Support services				
Management and general	380,799			380,799
Development and special events	114,886			114,886
<b>TOTAL EXPENSES</b>	<b>3,082,664</b>	<b>-</b>	<b>-</b>	<b>3,082,664</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (25,494)</b>	<b>\$ (73,079)</b>	<b>\$ 34,152</b>	<b>\$ (64,421)</b>

See accompanying notes

**YWCA WEST CENTRAL MICHIGAN**

STATEMENT OF ACTIVITIES

Year Ended September 30, 2009 (Restated)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<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	596,341	(596,341)		-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>3,297,201</b>	<b>(135,990)</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>\$ 135,422</b>	<b>\$ (135,990)</b>	<b>\$ (654)</b>	<b>\$ (1,222)</b>

See accompanying notes

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

Year Ended September 30, 2010

	Program Services			Center for Women	Total	Supporting Services			Total
	Counseling Programs	Housing	Youth Programs			Management and General	Building Occupancy	Development and Special Events	
Salaries	\$ 574,817	\$ 518,086	\$ 98,693	\$ -	\$ 1,191,596	\$ 236,158	\$ 64,949	\$ 67,411	\$ 1,560,114
Payroll taxes	51,509	45,462	9,081	-	106,052	19,905	5,739	5,524	137,220
Employee benefits	61,945	66,868	8,887	-	137,700	28,354	8,337	8,846	183,237
Professional services	20,731	19,704	1,072	3,754	45,261	27,822	14,962	6,870	94,915
Food and household supplies	498	61,988	2,240	-	64,726	-	-	-	64,726
Operating supplies and expenses	35,929	19,300	8,737	2,720	66,686	12,062	7,049	4,833	90,630
Telephone	8,485	7,972	1,719	-	18,176	1,486	682	481	20,825
Postage	871	961	333	-	2,165	1,128	6	2,213	5,512
Utilities	-	18,835	-	-	18,835	-	86,484	-	105,319
Insurance	5,316	8,746	551	4,013	18,626	3,978	3,595	528	26,727
Repairs and maintenance	5,296	31,575	1,810	-	38,681	5,680	63,989	1,141	109,491
In-kind supplies and services	2,652	487	-	-	3,139	35,790	-	10,000	48,929
Publicity and promotion	1,518	7,329	1,695	-	10,542	42	23	2,284	12,891
Travel and vehicle expense	5,701	9,588	11,108	-	26,397	3,249	307	56	30,009
Conferences, training and dues	2,574	1,858	1,560	-	5,992	3,272	328	1,751	11,343
Direct client assistance	1,359	399,075	3,566	-	404,000	-	-	2,000	406,000
Property taxes	-	11,503	-	-	11,503	-	37	-	11,503
Interest	-	-	-	-	-	1,873	-	948	17,940
National YWCA support	6,073	6,070	1,721	1,255	15,119	-	-	-	-
	785,274	1,235,407	152,773	11,742	2,185,196	380,799	256,487	114,886	2,937,368
Building occupancy allocation	119,600	30,309	22,951	83,627	256,487	-	(256,487)	-	-
Depreciation	47,453	55,874	9,106	32,863	145,296	-	-	-	145,296
	167,053	86,183	32,057	116,490	401,783	-	(256,487)	-	145,296
<b>Total Expenses</b>	<b>\$ 952,327</b>	<b>\$ 1,321,590</b>	<b>\$ 184,830</b>	<b>\$ 128,232</b>	<b>\$ 2,586,979</b>	<b>\$ 380,799</b>	<b>\$ -</b>	<b>\$ 114,886</b>	<b>\$ 3,082,664</b>

See accompanying notes

**YWCA WEST CENTRAL MICHIGAN**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended September 30, 2009 (Restated)

	Program Services			Center for Women	Total	Supporting Services			Total
	Counseling Programs	Housing	Youth Programs			Management and General	Building Occupancy	Development and Special Events	
Salaries	\$ 710,956	\$ 450,697	\$ 101,257	\$ -	\$ 1,262,910	\$ 237,221	\$ 50,471	\$ 74,084	\$ 1,624,686
Payroll taxes	69,981	43,701	9,542	-	123,224	23,250	5,168	7,502	159,144
Employee benefits	80,896	64,001	12,595	-	157,492	28,575	4,855	9,209	200,231
Professional services	55,988	20,408	402	3,616	80,414	30,887	9,107	5,121	125,529
Food and household supplies	777	39,153	1,288	-	41,218	-	-	-	41,218
Operating supplies and expenses	21,387	10,007	6,561	4,369	42,324	20,095	6,786	7,009	76,214
Telephone	10,221	7,670	1,465	-	19,356	878	398	448	21,080
Postage	2,532	765	512	-	3,809	1,271	4	3,592	8,676
Utilities	-	16,359	-	-	16,359	-	106,447	-	122,806
Insurance	5,369	8,947	870	3,095	18,281	7,040	3,737	571	29,629
Repairs and maintenance	4,787	32,935	1,064	-	38,786	935	62,633	434	102,788
In-kind supplies and services	200	-	-	-	200	30,285	-	1,395	31,880
Publicity and promotion	4,151	1,175	682	-	6,008	12	-	3,130	9,150
Travel and vehicle expense	5,519	11,416	9,073	-	26,008	6,080	83	164	32,335
Conferences, training and dues	4,761	961	1,542	-	7,264	5,384	147	377	13,172
Direct client assistance	4,270	364,406	2,771	-	371,447	-	-	-	371,447
Property taxes	-	11,887	-	-	11,887	-	1,006	-	11,887
Interest	-	-	-	-	-	1,742	-	921	1,006
National YWCA support	8,433	4,656	1,696	921	15,706	-	-	-	18,369
	990,228	1,089,144	151,320	12,001	2,242,693	393,755	250,842	113,957	3,001,247
Building occupancy allocation	77,887	30,627	35,118	107,210	250,842	-	(250,842)	-	-
Depreciation	36,549	57,194	16,479	50,310	160,532	-	-	-	160,532
	114,436	87,821	51,597	157,520	411,374	-	(250,842)	-	160,532
Total Expenses	\$ 1,104,664	\$ 1,176,965	\$ 202,917	\$ 169,521	\$ 2,654,067	\$ 393,755	\$ -	\$ 113,957	\$ 3,161,779

See accompanying notes

# YWCA WEST CENTRAL MICHIGAN

## STATEMENTS OF CASH FLOWS

Years Ended September 30, 2010 and 2009 (Restated)

	2010	2009
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (64,421)	\$ (1,222)
Adjustments to reconcile decrease in net assets to net cash (used) provided by operating activities		
Depreciation	145,296	160,532
Unrealized gain on revaluation of beneficial interest in outside trusts	(32,026)	(738)
Unrealized (gain) loss on revaluation of beneficial interest, Grand Rapids Community Foundation	(4,235)	1,392
Realized and unrealized (gain) loss on investments	(22,288)	32,016
(Gain) loss on disposal of property and equipment	(250)	8,152
Changes in operating assets and liabilities		
Accounts receivable	(45,093)	4,495
Promises to give	(19,129)	49,573
Prepaid expenses	(47,056)	(8,701)
Accounts payable	(14,400)	21,631
Accrued liabilities	5,726	(19,629)
Security deposits	1,734	(4,673)
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(96,142)</b>	<b>242,828</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of property and equipment	250	
Purchase of property and equipment	(74,031)	(71,905)
Proceeds from sale of investments	330,765	312,226
Purchases of investments	(226,094)	(288,068)
Decrease in restricted certificate of deposit	43,538	16,913
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>74,428</b>	<b>(30,834)</b>
<b>Cash Flows from Financing Activities</b>		
Payments on long-term debt	(5,875)	(28,895)
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(27,589)</b>	<b>183,099</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>533,104</b>	<b>350,005</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 505,515</b>	<b>\$ 533,104</b>

See accompanying notes

September 30, 2010 and 2009 (Restated)

## **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 and Cash Equivalents**

Cash equivalents consist of money market funds. Cash and cash equivalents are 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 yet received funds for a portion of the earned revenue.

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September 30, 2010 and 2009 (Restated)

**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.

Promises to give 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 promises to give. Changes in the valuation allowance have not been material to the financial statements. Promises to give are anticipated to be collected within one year.

**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 6. 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.

September 30, 2010 and 2009 (Restated)

**Fair Value Measurements**

U.S. generally accepted accounting principles establish a framework for measuring fair value. That framework provides a 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, 2010 and 2009 (Restated)

### **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 \$36,528 and \$38,922 at September 30, 2010 and 2009, 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, 2010 and 2009, donated services of approximately \$37,000 and \$40,000, respectively, did not meet the recognition criteria, but were used as matching revenue for various funding sources.

During the years ended September 30, 2010 and 2009 donated materials of \$22,091 and \$3,752, 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).

Effective October 1, 2009, the YWCA adopted Financial Accounting Standards Board (FASB) provisions related to accounting for uncertainty in income taxes, which clarifies the accounting and reporting for uncertainties in income tax law. The provisions prescribe a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. There was no impact on the financial statements upon adopting these provisions.

With limited exceptions, YWCA is no longer subject to tax audits by federal authorities for years prior to 2006.

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# YWCA WEST CENTRAL MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009 (Restated)

### Subsequent Events

Management has evaluated significant events or transactions occurring subsequent to September 30, 2010 for potential recognition or disclosure in these financial statements. The evaluation was performed through December 9, 2010 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 - PRIOR PERIOD ADJUSTMENT**

A prior period adjustment has been recorded to increase temporarily restricted net assets and decrease unrestricted net assets by \$275,816, to properly reflect time restrictions for United Way revenue. These reclassifications had no effect on the change in total net assets.

### **NOTE 3 - PROMISES TO GIVE**

Promises to give are as follows:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 303,603	\$ 298,747
Less allowance for doubtful promises	<u>(744)</u>	<u>(1,017)</u>
Net receivable in less than one year	302,859	297,730
Receivable in one to five years	<u>14,000</u>	<u>-</u>
	<u>\$ 316,859</u>	<u>\$ 297,730</u>

The discount on long-term promises is not material to record.

# YWCA WEST CENTRAL MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009 (Restated)

### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2010	2009
Building and land improvements	\$ 5,086,835	\$ 5,080,864
Equipment	617,899	634,991
	5,704,734	5,715,855
Accumulated depreciation	(3,085,116)	(3,024,972)
	\$ 2,619,618	\$ 2,690,883

### NOTE 5 - RESTRICTED CERTIFICATES OF DEPOSIT

The YWCA received a loan from Michigan State Housing Development Authority (MSHDA) (see Note 10) 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 one financial institution and are not to be combined with other funds. From time to time, the YWCA's operating reserve 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 6 - INVESTMENTS

Investments consist of the following as of September 30:

	2010		Accumulated Appreciation (Depreciation)
	Cost	Market	
Cash & cash equivalents	\$ 26,674	\$ 26,674	\$ -
Equity securities	487,618	523,265	35,647
Corporate bonds	48,810	51,566	2,756
US Government Agencies	86,859	93,115	6,256
Preferred stocks	12,500	12,485	(15)
	\$ 662,461	\$ 707,105	\$ 44,644

## YWCA WEST CENTRAL MICHIGAN

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009 (Restated)

	2009		
	Cost	Market	Unrealized 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

For the valuation of certain cash and cash equivalents, equity securities, corporate bonds, US Government Agencies, and preferred stock at September 30, 2010 and 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, 2010 and 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, 2010 and 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, 2010 and 2009, on a recurring basis consist of the following:

	2010	2009
Investments	\$ 707,105	\$ 789,488
Beneficial interest in perpetual endowment fund	37,139	35,013
Beneficial interest in outside trusts	710,434	678,408
	\$ 1,454,678	\$ 1,502,909

# YWCA WEST CENTRAL MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009 (Restated)

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:

	2010			Total
	Based on			
	Level 1	Level 2	Level 3	
	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	
Cash & cash equivalents	\$ 26,674	\$ -	\$ -	\$ 26,674
Equity securities	523,265			523,265
Corporate bonds	51,566			51,566
US Government Agencies	93,115			93,115
Preferred stocks	12,485			12,485
Beneficial Interest in perpetual endowment fund			37,139	37,139
Beneficial Interest in outside trusts		710,434		710,434
	<u>\$ 707,105</u>	<u>\$ 710,434</u>	<u>\$ 37,139</u>	<u>\$ 1,454,678</u>
	2009			
	Based on			
	Level 1	Level 2	Level 3	
	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	Total
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
Beneficial Interest in perpetual endowment fund			35,013	35,013
Beneficial Interest in outside trusts		678,408		678,408
	<u>\$ 713,518</u>	<u>\$ 754,378</u>	<u>\$ 35,013</u>	<u>\$ 1,502,909</u>

**YWCA WEST CENTRAL MICHIGAN**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009 (Restated)

Following is a reconciliation of activity for the years ended September 30, 2010 and 2009 for assets measured at fair value based on significant unobservable (Level 3) information:

	Level 3 Investments
<b>Balance at October 1, 2008</b>	<b>\$ 36,405</b>
Unrealized losses	(749)
Net additions, purchases, sales, and maturities	<u>(643)</u>
<b>Balance at September 30, 2009</b>	<b>35,013</b>
Unrealized gains	4,486
Net additions, purchases, sales, and maturities	<u>(2,360)</u>
<b>Balance at September 30, 2010</b>	<b><u>\$ 37,139</u></b>

**NOTE 7 - 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.

# YWCA WEST CENTRAL MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009 (Restated)

### NOTE 8 - BENEFICIAL INTERESTS IN OUTSIDE TRUSTS

The YWCA is an income beneficiary of several outside perpetual trusts having market values that aggregate \$1,864,256 and \$1,779,025 at September 30, 2010 and 2009, 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 9 - 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, 2010) less one-half percent, with a floor of 4.0%. The note expires in July 2011. There were no borrowings on the line of credit as of September 30, 2010 or 2009.

### NOTE 10 - LONG-TERM DEBT

	2010	2009
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, 2010	\$ 570,000	\$ 570,000
Unsecured note payable to a bank in monthly payments of \$2,277, including interest at 5%. The note was paid in full during 2010	-	5,875
	<b>570,000</b>	575,875
Current maturities	-	(5,875)
	<b>\$ 570,000</b>	<b>\$ 570,000</b>

Cash paid for interest was \$37 and \$1,006 in 2010 and 2009, respectively.

# YWCA WEST CENTRAL MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009 (Restated)

### NOTE 11 - RESTRICTIONS ON ASSETS

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

	2010	2009
Permanent housing	\$ 357,430	\$ 372,937
Sponsorships for future events	93,201	86,144
Endowment fund - includes the total investment return from the permanently restricted endowment fund	469,374	475,787
United Way allocation	275,811	275,809
Grants for future time periods	14,500	72,718
	<b>\$ 1,210,316</b>	<b>\$ 1,283,395</b>

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

	2010	2009
Beneficial interests in outside trusts	\$ 710,434	\$ 678,408
Endowment fund - includes the principal amount of permanently restricted gifts and bequests from donors	237,731	237,731
Beneficial interest in perpetual endowment fund	37,139	35,013
	<b>\$ 985,304</b>	<b>\$ 951,152</b>

September 30, 2010 and 2009 (Restated)

**NOTE 12 - 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, 2010 and 2009.

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September 30, 2010 and 2009 (Restated)

**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. 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. The policy 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. 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, 2010 and 2009 (Restated)

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

	2010		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 237,731	\$ 237,731
Board-designated endowment funds	469,374		469,374
<b>Total Funds</b>	<b>\$ 469,374</b>	<b>\$ 237,731</b>	<b>\$ 707,105</b>

  

	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 years ended September 30:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ -	\$ 475,787	\$ 237,731	\$ 713,518
Investment return:				
Investment income		19,820		19,820
Net appreciation (realized and unrealized)		22,288		22,288
Investment fees		(5,395)		(5,395)
<b>Total Investment Return</b>	<b>-</b>	<b>36,713</b>	<b>-</b>	<b>36,713</b>
Appropriation of endowment assets for expenditures		(43,126)		(43,126)
<b>Endowment Net Assets, End of Year</b>	<b>\$ -</b>	<b>\$ 469,374</b>	<b>\$ 237,731</b>	<b>\$ 707,105</b>

**YWCA WEST CENTRAL MICHIGAN**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009 (Restated)

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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>	<b>-</b>	<b>(12,045)</b>	<b>-</b>	<b>(12,045)</b>
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>

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 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 \$56,331 and \$57,509 for the years ended September 30, 2010 and 2009, respectively. The YWCA has no obligation beyond making the required payments to the plan.

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September 30, 2010 and 2009 (Restated)

**NOTE 14 - 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 56% of the public support and revenue was provided by five primary funding sources during the year ended September 30, 2010. The primary government funding sources include the U.S. Department of Housing and Urban Development (13%), the U.S. Department of Health and Human Services (24%), and the State of Michigan and/or County of Kent Department of Health and Human Services (6%). In addition, the YWCA receives 12% of its total funding from United Way. Related receivables from these four funding sources were approximately 65% of total accounts and grants receivable and promises to give as of September 30, 2010.

In 2009, approximately 62% of the public support and revenue was provided by five funding sources. Related receivables from these funding sources were approximately 78% of total accounts and grants receivable and promises to give as of September 30, 2009.

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 15 - LEASES**

The YWCA leases various apartments for tenants in connection with the Transitional Housing Program. Total lease expense was \$167,762 and \$173,088 for the years ended September 30, 2010 and 2009, respectively. The leases expire at various dates through 2011. Future minimum rental payments under lease agreements are \$99,984 for the year ending September 30, 2011.

The YWCA is the lessor of various housing units and building space. Total tenant rental income was \$88,686 and \$94,825 for the years ended September 30, 2010 and 2009, respectively. The leases expire at various dates through 2011. The cost and accumulated depreciation for the housing units under leasing agreements for the year ended September 30, 2010 totaled \$714,782 and \$51,993, respectively. The cost and accumulated depreciation for the housing units under leasing agreement for the year ended September 30, 2009 totaled \$714,782 and \$34,436, respectively.

Future minimum lease payments to be received under existing lease agreements are \$10,306 for the year ending September 30, 2011.

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# YWCA WEST CENTRAL MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009 (Restated)

### NOTE 16 - 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>2010</u>	<u>2009</u>
<b>Pass-through Expenditures</b>		
Miscellaneous housing providers	\$ 329,362	\$ 300,744
Specific assistance to consumers	121,076	88,497
Miscellaneous consulting/contractual	-	75
InterUrban Transit Partners	5,701	7,891
Childcare providers	2,050	2,073
	<u>458,189</u>	<u>399,280</u>
<b>In-house Charge Backs</b>		
YWCA counseling	8,554	8,505
YWCA staff wellness	4,574	4,284
	<u>13,128</u>	<u>12,789</u>
<b>TOTAL RECONCILING EXPENSES</b>	<u>\$ 471,317</u>	<u>\$ 412,069</u>

### NOTE 17 - RISKS AND UNCERTAINTIES

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

# YWCA WEST CENTRAL MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009 (Restated)

### NOTE 18 - CONTINGENCIES

YWCA West Central Michigan participates in federally funded programs. The programs are subject to the single audit requirements of OMB Circular A-133. The single audit of the federal programs for September 30, 2010 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:

<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 19 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 presentation.