

YWCA WEST CENTRAL MICHIGAN

FINANCIAL STATEMENTS

Years Ended September 30, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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 14, 2011 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 14, 2011
Grand Rapids, Michigan

FINANCIAL STATEMENTS

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

September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 36,193	\$ 18,602
Accrued liabilities	104,769	89,280
Security deposits	<u>14,165</u>	<u>22,598</u>
TOTAL CURRENT LIABILITIES	155,127	130,480
Long-Term Debt, less current maturities	<u>570,000</u>	<u>570,000</u>
TOTAL LIABILITIES	725,127	700,480
Net Assets		
Unrestricted		
Undesignated	2,398,122	2,489,814
Board designated - other	<u>134,559</u>	<u>133,020</u>
Total Unrestricted	2,532,681	2,622,834
Temporarily restricted	1,111,056	1,210,316
Permanently restricted	<u>928,139</u>	<u>985,304</u>
TOTAL NET ASSETS	<u>4,571,876</u>	<u>4,818,454</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,297,003</u>	<u>\$ 5,518,934</u>

See accompanying notes

YWCA WEST CENTRAL MICHIGAN

STATEMENT 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 interests, Grand Rapids Community 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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue				
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)		-
TOTAL PUBLIC SUPPORT AND REVENUE	3,057,170	(73,079)	34,152	3,018,243
Expenses				
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
TOTAL EXPENSES	3,082,664	-	-	3,082,664
CHANGE IN NET ASSETS	(25,494)	(73,079)	34,152	(64,421)
Net Assets at Beginning of Year	2,648,328	1,283,395	951,152	4,882,875
NET ASSETS AT END OF YEAR	\$ 2,622,834	\$ 1,210,316	\$ 985,304	\$ 4,818,454

See accompanying notes

YWCA WEST CENTRAL MICHIGAN

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2011

	Program Services					Supporting Services			Total	
	Counseling Programs	Housing	Youth Programs	Center for Women	Special Programs	Total	Management and General	Building Occupancy		Development and Special Events
Salaries	\$ 729,689	\$ 527,900	\$ 89,549	\$ -	\$ 2,288	\$ 1,349,426	\$ 230,076	\$ 56,545	\$ 66,219	\$ 1,702,266
Payroll taxes	67,683	48,962	8,703		217	125,565	21,479	5,603	5,852	158,509
Employee benefits	82,821	84,127	13,740		412	181,100	30,862	9,169	9,363	230,494
Professional services	34,712	10,997	1,512	3,579		50,800	34,154	15,309	18,521	118,784
Food and household supplies	762	57,223	334			58,319				58,319
Operating supplies and expenses	31,147	16,845	6,227	2,062	2,039	58,320	8,005	4,902	6,921	78,148
Telephone	11,948	6,871	1,954			20,773	1,759	1,322	932	24,786
Postage	1,047	920	119		8	2,094	1,167	50	1,559	4,870
Utilities		17,585				17,585		95,057		112,642
Insurance	3,245	13,330	1,679	3,808		22,062	4,773	2,902	581	30,318
Repairs and maintenance	6,608	29,190	3,125	1	85	39,009	759	55,640	675	96,083
In-kind supplies and services	171	927				1,098	889		18,160	20,147
Publicity and promotion	2,091	8,031	1,152			11,274	11	9	3,056	14,350
Travel and vehicle expense	20,418	7,843	3,312		84	31,657	5,142	229	1,976	39,004
Conferences, training and dues	13,361	2,793	1,024		3	17,181	3,127	59	3,080	23,447
Direct client assistance	3,346	496,309	974			500,629			2,000	502,629
Property taxes	75	9,416				9,491		812		10,303
National YWCA support	5,133	6,774	1,640	1,318	36	14,901	1,782		855	17,538
	1,014,257	1,346,043	135,044	10,768	5,172	2,511,284	343,985	247,608	139,760	3,242,637
Building occupancy allocation	74,282	22,904	19,809	130,613		247,608		(247,608)		
Depreciation	33,932	55,752	9,049	59,655		158,398				158,398
	108,214	78,656	28,858	190,278	-	406,006	-	(247,608)	-	158,398
Total Expenses	\$ 1,122,471	\$ 1,424,699	\$ 163,902	\$ 201,046	\$ 5,172	\$ 2,917,290	\$ 343,985	\$ -	\$ 139,760	\$ 3,401,035

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See accompanying notes

YWCA WEST CENTRAL MICHIGAN

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2010

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

YWCA WEST CENTRAL MICHIGAN

STATEMENT OF CASH FLOWS

Years Ended September 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Decrease in net assets	\$ (246,578)	\$ (64,421)
Adjustments to reconcile decrease in net assets to net cash used by operating activities		
Depreciation	158,398	145,296
Unrealized loss (gain) on revaluation of beneficial interest in outside trusts	54,522	(32,026)
Unrealized loss (gain) on revaluation of beneficial interest, Grand Rapids Community Foundation	2,843	(4,235)
Realized and unrealized loss (gain) on investments	8,580	(22,288)
Gain on disposal of property and equipment		(250)
Changes in operating assets and liabilities		
Accounts receivable	(116,612)	(45,093)
Promises to give	47,477	(19,129)
Prepaid expenses	6,871	(47,056)
Accounts payable	(1,362)	(14,400)
Accrued liabilities	15,489	5,726
Security deposits	(8,433)	1,734
NET CASH USED BY OPERATING ACTIVITIES	(78,805)	(96,142)
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment		250
Purchase of property and equipment	(20,279)	(74,031)
Proceeds from sale of investments	542,758	330,765
Purchases of investments	(517,016)	(226,094)
Decrease in restricted certificate of deposit	30,000	43,538
NET CASH PROVIDED BY INVESTING ACTIVITIES	35,463	74,428
Cash Flows from Financing Activities		
Payments on long-term debt		(5,875)
NET DECREASE IN CASH	(43,342)	(27,589)
Cash and Cash Equivalents at Beginning of Year	505,515	533,104
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 462,173	\$ 505,515
 Supplementary Information		
Purchase of property and equipment funded by accounts payable	\$ 18,953	\$ -

See accompanying notes

September 30, 2011 and 2010

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. A grant receivable is recorded when the YWCA has not yet received funds for a portion of the earned revenue.

September 30, 2011 and 2010

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.

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.

September 30, 2011 and 2010

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.

September 30, 2011 and 2010

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 \$16,344 and \$36,528 at September 30, 2011 and 2010, 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, 2011 and 2010, donated services of approximately \$52,000 and \$37,000, respectively, did not meet the recognition criteria, but were used as matching revenue for various funding sources.

During the years ended September 30, 2011 and 2010 donated materials of \$11,458 and \$22,091, 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 position 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 2007.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2011 and 2010

Subsequent Events

Management has evaluated significant events or transactions occurring subsequent to September 30, 2011 for potential recognition or disclosure in these financial statements. The evaluation was performed through December 14, 2011 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 - PROMISES TO GIVE

Promises to give are as follows:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 262,120	\$ 303,603
Less allowance for doubtful promises	<u>(738)</u>	<u>(744)</u>
Net receivable in less than one year	261,382	302,859
Receivable in one to five years	<u>8,000</u>	<u>14,000</u>
	<u>\$ 269,382</u>	<u>\$ 316,859</u>

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

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2011 and 2010

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2011</u>	<u>2010</u>
Building and land improvements	\$ 5,123,947	\$ 5,086,835
Equipment	<u>620,019</u>	<u>617,899</u>
	5,743,966	5,704,734
Accumulated depreciation	<u>(3,243,512)</u>	<u>(3,085,116)</u>
	<u>\$ 2,500,454</u>	<u>\$ 2,619,618</u>

NOTE 4 - RESTRICTED CERTIFICATES OF DEPOSIT

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 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.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2011 and 2010

NOTE 5 - INVESTMENTS

Investments consist of the following as of September 30:

	2011		
	Cost	Market	Accumulated Appreciation (Depreciation)
Cash & 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)
	<u>\$ 714,964</u>	<u>\$ 672,782</u>	<u>\$ (42,182)</u>

	2010		
	Cost	Market	Unrealized Accumulated Appreciation (Depreciation)
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)
	<u>\$ 662,461</u>	<u>\$ 707,105</u>	<u>\$ 44,644</u>

For the valuation of certain cash and cash equivalents, equity securities, corporate bonds, US Government Agencies, preferred stock and other assets at September 30, 2011 and 2010, the YWCA used quoted prices in principal active markets for identical assets as of the valuation date (Level 1).

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2011 and 2010

For the valuation of the perpetual endowment fund and the beneficial interest in outside trusts at September 30, 2011 and 2010, 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, 2011 and 2010, on a recurring basis consist of the following:

	<u>2011</u>	<u>2010</u>
Investments	\$ 672,782	\$ 707,105
Beneficial interest in perpetual endowment fund	34,295	37,139
Beneficial interest in outside trusts	<u>655,912</u>	<u>710,434</u>
	<u>\$ 1,362,989</u>	<u>\$ 1,454,678</u>

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2011 and 2010

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:

	2011			Total
	Based on			
	Level 1	Level 2	Level 3	
	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	
Cash & cash equivalents	\$ 10,195	\$ -	\$ -	\$ 10,195
Equity securities	460,460			460,460
Corporate bonds	100,731			100,731
US Government Agencies	65,965			65,965
Preferred stocks	12,515			12,515
Other assets	22,916			22,916
Beneficial Interest in perpetual endowment fund			34,295	34,295
Beneficial Interest in outside trusts			655,912	655,912
	<u>\$ 672,782</u>	<u>\$ -</u>	<u>\$ 690,207</u>	<u>\$ 1,362,989</u>
	2010			
	Based on			
	Level 1	Level 2	Level 3	
	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	Total
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>\$ -</u>	<u>\$ 747,573</u>	<u>\$ 1,454,678</u>

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2011 and 2010

Following is a reconciliation of activity for the years ended September 30, 2011 and 2010 for assets measured at fair value based on significant unobservable (Level 3) information:

	<u>Level 3 Investments</u>
Balance at October 1, 2009	\$ 713,421
Unrealized losses	36,512
Net additions, purchases, sales, and maturities	<u>(2,360)</u>
Balance at September 30, 2010	747,573
Unrealized gains	(55,559)
Net additions, purchases, sales, and maturities	<u>(1,807)</u>
Balance at September 30, 2011	<u>\$ 690,207</u>

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

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

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

September 30, 2011 and 2010

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 \$1,730,522 and \$1,864,256 at September 30, 2011 and 2010, 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, 2011) less one-half percent, with a floor of 4.0%. The note expires in July 2012. There were no borrowings on the line of credit as of September 30, 2011 or 2010.

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, 2011.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2011 and 2010

NOTE 10 - RESTRICTIONS ON ASSETS

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

	<u>2011</u>	<u>2010</u>
Permanent housing	\$ 340,936	\$ 357,430
Sponsorships for future events	92,066	93,201
Endowment fund - includes the total investment return from the permanently restricted endowment fund	434,851	469,374
United Way allocation	236,203	275,811
Grants for future time periods	7,000	14,500
	<u>\$ 1,111,056</u>	<u>\$ 1,210,316</u>

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

	<u>2011</u>	<u>2010</u>
Beneficial interests in outside trusts	\$ 655,913	\$ 710,434
Endowment fund - includes the principal amount of permanently restricted gifts and bequests from donors	237,931	237,731
Beneficial interest in perpetual endowment fund	34,295	37,139
	<u>\$ 928,139</u>	<u>\$ 985,304</u>

September 30, 2011 and 2010

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, 2011 and 2010.

September 30, 2011 and 2010

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.

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2011 and 2010

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

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

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2011 and 2010

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

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of the year	\$ -	\$ 469,374	\$ 237,731	\$ 707,105
Contributions			200	200
Investment return:				
Investment income		21,209		21,209
Net appreciation (realized and unrealized)		(8,580)		(8,580)
Investment fees		(5,754)		(5,754)
Total Investment Return	-	6,875	200	7,075
Appropriation of endowment assets for expenditures		(41,398)		(41,398)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 434,851</u>	<u>\$ 237,931</u>	<u>\$ 672,782</u>
	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 depreciation (realized and unrealized)		22,288		22,288
Investment fees		(5,395)		(5,395)
Total Investment Return	-	36,713	-	36,713
Appropriation of endowment assets for expenditures		(43,126)		(43,126)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 469,374</u>	<u>\$ 237,731</u>	<u>\$ 707,105</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, 2011 and 2010

NOTE 12 - 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 \$59,068 and \$56,331 for the years ended September 30, 2011 and 2010, respectively. The YWCA has no obligation beyond making the required payments to the plan.

NOTE 13 - MAJOR FUNDING SOURCES

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

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

	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%

	2010	
	% Revenue	% Receivable
Funds originating through		
U.S Department of Housing and Urban Development	13%	3%
U.S.Department of Justice	16%	6%
U.S. Department of Health and Human Services	16%	8%
United Way	13%	47%

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

YWCA WEST CENTRAL MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2011 and 2010

NOTE 14 - LEASES

The YWCA leases various apartments for tenants in connection with the Transitional Housing Program. Total lease expense was \$191,501 and \$167,762 for the years ended September 30, 2011 and 2010, respectively. The leases expire at various dates through 2012. Future minimum rental payments under lease agreements are \$92,053 for the year ending September 30, 2011.

The YWCA is the lessor of various housing units and building space. Total tenant rental income was \$94,336 and \$88,686 for the years ended September 30, 2011 and 2010, respectively. The leases expire at various dates through 2012. The cost and accumulated depreciation for the housing units under leasing agreements for the year ended September 30, 2011 totaled \$720,440 and \$70,283, respectively. The cost and accumulated depreciation for the housing units under leasing agreement for the year ended September 30, 2010 totaled \$714,782 and \$51,993, respectively.

Future minimum lease payments to be received under existing lease agreements are \$7,773 for the year ending September 30, 2012.

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>2011</u>	<u>2010</u>
Pass-through Expenditures		
Specific assistance to consumers	\$ 560,948	\$ 466,743
In-house Charge Backs		
Capital campaign	10,000	
YWCA staff wellness	4,626	4,574
	<u>14,626</u>	<u>4,574</u>
TOTAL RECONCILING EXPENSES	<u>\$ 575,574</u>	<u>\$ 471,317</u>

September 30, 2011 and 2010

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, 2011 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.