

YWCA West Central Michigan

**Consolidated Financial Report
with Additional Information
September 30, 2016**

YWCA West Central Michigan

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Independent Auditor's Report

To the Board of Directors
YWCA West Central Michigan

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of YWCA West Central Michigan (YWCA) and its subsidiary, which comprise the consolidated statement of financial position as of September 30, 2016 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
YWCA West Central Michigan

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of YWCA West Central Michigan and its subsidiary as of September 30, 2016 and the results of their changes in net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of YWCA West Central Michigan as of September 30, 2015 were audited by other auditors, whose report dated December 16, 2015 expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016 on our consideration of the YWCA West Central Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering YWCA West Central Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 21, 2016

YWCA West Central Michigan

Consolidated Statement of Financial Position

	September 30, 2016	September 30, 2015
Assets		
Cash and cash equivalents	\$ 1,283,664	\$ 2,051,597
Receivables:		
Trade less allowance for doubtful accounts of \$1,703 and \$3,117 for 2016 and 2015, respectively	34,975	40,704
Contributions receivable (Note 2)	553,625	1,092,223
United Way	211,976	229,163
Grants and other	304,859	244,297
Investments (Notes 3 and 4)	1,107,446	999,437
Prepaid expenses	147,311	129,152
Beneficial interests (Notes 12 and 13)	756,244	731,735
Note receivable (Note 6)	5,940,400	-
Property and equipment (Note 5)	7,360,225	3,548,500
Permanent housing operating reserve escrow (Notes 3 and 4)	251,143	278,296
Total assets	\$ 17,951,868	\$ 9,345,104
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 600,378	\$ 382,610
Accrued liabilities	121,655	176,287
Debt (Note 8)	9,181,665	570,000
Total liabilities	9,903,698	1,128,897
Net Assets		
Unrestricted:		
Undesignated	5,005,389	2,160,647
Board designated	201,982	201,912
Temporarily restricted (Note 9)	1,567,340	4,613,381
Permanently restricted (Note 9)	1,273,459	1,240,267
Total net assets	8,048,170	8,216,207
Total liabilities and net assets	\$ 17,951,868	\$ 9,345,104

YWCA West Central Michigan

Consolidated Statement of Activities and Changes in Net Assets

	For the Year Ended							
	September 30, 2016				September 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support								
Contributions	\$ 278,271	\$ 188,179	\$ 8,683	\$ 475,133	\$ 319,698	\$ 369,954	\$ 100	\$ 689,752
In-kind donations	47,287	-	-	47,287	44,807	20,661	-	65,468
United Way	30,006	282,634	-	312,640	26,846	305,550	-	332,396
Governmental grants	2,524,214	-	-	2,524,214	2,468,728	-	-	2,468,728
Other income	46,973	-	-	46,973	425	-	-	425
Program fees	336,086	-	-	336,086	372,010	-	-	372,010
Special events - Net of expenses of \$86,858 and \$86,022 in 2016 and 2015, respectively	123,788	86,234	-	210,022	120,090	72,229	-	192,319
Interest and dividends	19,332	13,261	-	32,593	1,477	35,803	-	37,280
Net unrealized and realized gains (losses)	-	69,543	-	69,543	-	(44,793)	-	(44,793)
Loss on sale of fixed assets	(41,496)	-	-	(41,496)	(2,080)	-	-	(2,080)
Change in beneficial interests	-	-	24,509	24,509	-	-	(74,361)	(74,361)
Total revenue and support	3,364,461	639,851	33,192	4,037,504	3,352,001	759,404	(74,261)	4,037,144
Net assets released from restrictions	3,685,892	(3,685,892)	-	-	938,621	(938,621)	-	-
Total revenue, support, and net assets released from restrictions	7,050,353	(3,046,041)	33,192	4,037,504	4,290,622	(179,217)	(74,261)	4,037,144
Expenses								
Program services:								
Counseling programs	1,963,010	-	-	1,963,010	1,782,875	-	-	1,782,875
Housing	1,337,415	-	-	1,337,415	1,307,354	-	-	1,307,354
Youth programs	219,915	-	-	219,915	173,607	-	-	173,607
Center for Women	65,394	-	-	65,394	158,175	-	-	158,175
Special programs	9,493	-	-	9,493	22,446	-	-	22,446
Total program services	3,595,227	-	-	3,595,227	3,444,457	-	-	3,444,457
Support services:								
Management and general	393,001	-	-	393,001	456,187	-	-	456,187
Fundraising	217,313	-	-	217,313	229,408	-	-	229,408
Total support services	610,314	-	-	610,314	685,595	-	-	685,595
Total expenses	4,205,541	-	-	4,205,541	4,130,052	-	-	4,130,052
Increase (Decrease) in Net Assets	2,844,812	(3,046,041)	33,192	(168,037)	160,570	(179,217)	(74,261)	(92,908)
Net Assets - Beginning of year	2,362,559	4,613,381	1,240,267	8,216,207	2,201,989	4,792,598	1,314,528	8,309,115
Net Assets - End of year	\$ 5,207,371	\$ 1,567,340	\$ 1,273,459	\$ 8,048,170	\$ 2,362,559	\$ 4,613,381	\$ 1,240,267	\$ 8,216,207

See Notes to Consolidated Financial Statements.

YWCA West Central Michigan

Consolidated Statement of Functional Expenses Year Ended September 30, 2016

	Program Services					Support Services			Total
	Counseling Programs	Housing	Youth Programs	Center for Women	Special Programs	Total	Management and General	Fundraising	
Salaries	\$ 1,082,846	\$ 534,627	\$ 120,695	\$ -	\$ 2,408	\$ 1,740,576	\$ 348,396	\$ 140,259	\$ 2,229,231
Payroll taxes	93,350	45,540	10,793	-	214	149,897	29,637	12,177	191,711
Employee benefits	167,983	99,314	14,860	-	482	282,639	41,595	16,862	341,096
Professional fees	45,766	13,511	1,925	3,577	-	64,779	59,496	14,178	138,453
Food and household supplies	1,684	20,815	1,232	-	-	23,731	-	-	23,731
Operating supplies and expenses	75,577	36,431	6,766	35,442	450	154,666	15,710	8,788	179,164
Telephone	23,253	15,169	3,224	-	12	41,658	4,562	1,544	47,764
Postage and shipping	762	185	78	-	1	1,026	963	4,241	6,230
Utilities	-	19,981	-	-	-	19,981	96,745	-	116,726
Insurance	5,325	10,288	2,651	4,102	-	22,366	17,434	810	40,610
Maintenance and repairs	16,099	34,162	3,539	9	-	53,809	30,200	2,187	86,196
In-kind supplies and services	75,499	968	39	-	-	76,506	20,472	436	97,414
Publicity and promotion	6,615	2,437	609	-	-	9,661	-	10,464	20,125
Travel and vehicle expense	28,559	6,283	3,804	-	195	38,841	6,352	212	45,405
Conferences, training, and dues	13,936	1,775	1,488	-	666	17,865	2,009	1,548	21,422
Direct client assistance	12,497	386,528	-	-	-	399,025	-	2,500	401,525
Property taxes, permits, and fees	-	8,428	-	-	-	8,428	3,136	-	11,564
Interest	62,761	9,253	9,776	4,452	1,047	87,289	-	-	87,289
National YWCA support	8,917	4,789	703	223	14	14,646	2,773	1,107	18,526
Total expenses before building occupancy allocation and depreciation	1,721,429	1,250,484	182,182	47,805	5,489	3,207,389	679,480	217,313	4,104,182
Building occupancy allocation	205,972	30,347	32,172	14,574	3,414	286,479	(286,479)	-	-
Depreciation	35,609	56,584	5,561	3,015	590	101,359	-	-	101,359
Total building occupancy allocation and depreciation	241,581	86,931	37,733	17,589	4,004	387,838	(286,479)	-	101,359
Total expenses	\$ 1,963,010	\$ 1,337,415	\$ 219,915	\$ 65,394	\$ 9,493	\$ 3,595,227	\$ 393,001	\$ 217,313	\$ 4,205,541

YWCA West Central Michigan

Consolidated Statement of Functional Expenses Year Ended September 30, 2015

	Program Services					Support Services			
	Counseling Programs	Housing	Youth Programs	Center for Women	Special Programs	Total	Management and General	Fundraising	Total
Salaries	\$ 1,069,055	\$ 474,571	\$ 92,344	\$ -	\$ 6,418	\$ 1,642,388	\$ 347,160	\$ 131,387	\$ 2,120,935
Payroll taxes	94,403	41,126	8,390	-	564	144,483	23,412	11,898	179,793
Employee benefits	152,069	81,177	15,258	-	1,054	249,558	40,426	14,043	304,027
Professional fees	133,458	11,903	2,635	3,199	-	151,195	49,320	18,100	218,615
Food and household supplies	1,772	28,806	1,032	-	-	31,610	-	-	31,610
Operating supplies and expenses	43,610	28,759	4,829	2,340	966	80,504	15,085	9,733	105,322
Telephone	18,071	11,266	2,639	-	-	31,976	4,322	1,818	38,116
Postage and shipping	1,302	109	61	-	1	1,473	958	7,313	9,744
Utilities	-	28,666	-	-	-	28,666	109,089	-	137,755
Insurance	5,822	15,093	2,124	2,789	-	25,828	19,485	1,032	46,345
Maintenance and repairs	13,316	39,597	3,902	-	1	56,816	60,224	1,644	118,684
In-kind supplies and services	-	363	-	-	-	363	43,049	21,929	65,341
Publicity and promotion	30,122	1,368	304	-	-	31,794	-	7,970	39,764
Travel and vehicle expense	41,135	7,637	4,497	-	-	53,269	2,332	274	55,875
Conferences, training, and dues	20,878	1,648	1,732	-	92	24,350	1,014	64	25,428
Direct client assistance	14,878	421,932	94	-	-	436,904	-	-	436,904
Scholarship to individuals	-	-	-	-	2,000	2,000	-	-	2,000
Property taxes, permits, and fees	-	8,429	-	-	-	8,429	9,423	-	17,852
Interest	-	-	-	-	-	-	-	909	909
National YWCA support	8,981	4,969	1,032	250	56	15,288	3,600	1,294	20,182
Total expenses before building occupancy allocation and depreciation	1,648,872	1,207,419	140,873	8,578	11,152	3,016,894	728,899	229,408	3,975,201
Building occupancy allocation	97,938	34,095	23,904	108,521	8,254	272,712	(272,712)	-	-
Depreciation	36,065	65,840	8,830	41,076	3,040	154,851	-	-	154,851
Total building occupancy allocation and depreciation	134,003	99,935	32,734	149,597	11,294	427,563	(272,712)	-	154,851
Total expenses	\$ 1,782,875	\$ 1,307,354	\$ 173,607	\$ 158,175	\$ 22,446	\$ 3,444,457	\$ 456,187	\$ 229,408	\$ 4,130,052

YWCA West Central Michigan

Consolidated Statement of Cash Flows

	Year Ended	
	September 30, 2016	September 30, 2015
Cash Flows from Operating Activities		
Decrease in net assets	\$ (168,037)	\$ (92,908)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Contributions received for longer-term purposes, net of discount and bad debt	(186,763)	(375,300)
Depreciation	101,360	154,851
Unrealized (gain) loss on revaluation of beneficial interests	(24,509)	74,361
Realized and unrealized (gain) loss on investments	(69,543)	44,793
Loss on disposal of property and equipment	41,496	2,080
Changes in operating assets and liabilities:		
Receivables	(29,979)	468,069
Prepaid expenses	(18,159)	(1,358)
Accounts payable	(316,334)	(16,855)
Accrued liabilities	(54,632)	11,665
	<u>(725,100)</u>	<u>269,398</u>
Net cash (used in) provided by operating activities	(725,100)	269,398
Cash Flows from Investing Activities		
Purchase of property and equipment	(3,420,479)	(988,324)
Proceeds from sale of investments	1,296,345	121,617
Purchase of investments	(1,337,695)	(170,670)
Decrease in replacement reserve	-	17,991
Proceeds from sale of restricted investments	35,000	78,212
Purchase of restricted investments	(4,963)	(58,000)
Issuance of note receivable	(5,940,400)	-
	<u>(9,372,192)</u>	<u>(999,174)</u>
Net cash used in investing activities	(9,372,192)	(999,174)
Cash Flows from Financing Activities		
Proceeds from contributions receivable restricted for long-term purposes	717,694	1,292,581
Debt issuance costs	(256,835)	-
Proceeds from debt	9,425,000	-
Payments on debt	(556,500)	-
	<u>9,329,359</u>	<u>1,292,581</u>
Net cash provided by financing activities	9,329,359	1,292,581
Net (Decrease) Increase in Cash and Cash Equivalents	(767,933)	562,805
Cash and Cash Equivalents - Beginning of year	<u>2,051,597</u>	<u>1,488,792</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 1,283,664</u></u>	<u><u>\$ 2,051,597</u></u>
Supplemental Disclosure Cash Flow Information		
Cash paid for interest	\$ 87,289	\$ 909
Noncash transaction - Property and equipment included in accounts payable	534,102	337,747

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note I - Nature of Business and Significant Accounting Policies

Nature of Organization - 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.

Significant accounting policies are as follows:

Principles of Consolidation - The consolidated financial statements include the accounts of YWCA and YWCA WCM Growth Fund (Growth Fund). In January 2016, Growth Fund was formed as part of the New Markets Tax Credit (NMTC) financing. As a result of the financing structure, Growth Fund holds the NMTC debt and owns the property and equipment which it leases to YWCA. YWCA and Growth Fund (collectively, the "Organization") are presented as consolidated for the year ended September 30, 2016. All material intercompany accounts and transactions have been eliminated.

Basis of Presentation - The consolidated financial statements of the Organization have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Actual results could differ from those estimates.

Cash Equivalents - The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains cash balances at banks whose accounts are insured by the Federal Deposit Insurance Corporation. The Organization evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

Trade Receivables - Trade receivables are stated at invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Contributions Receivable - Contribution revenue and receivables are recognized in the period the written promise is made. Unconditional promises to give expected to be collected in periods in excess of one year are recognized at the present value of estimated future cash flows at the time the promise is received using discount rates that approximates a risk-free rate of return applicable to the year in which the promise is received. The discount utilized as of September 30, 2016 and 2015 was 2 percent. Management annually reviews these balances to determine the net realizable value of the promise. Management provides for probable uncollectible amounts based on its assessment of the current status of individual accounts, past credit history with donors, and the donors' current financial condition.

Investments - Investments in debt and equity securities are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses are presented in the consolidated statement of activities and changes in net assets as a change in temporarily restricted net assets until appropriated for expenditure as disclosed in Note 14.

The Organization 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 consolidated statement of financial position.

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

The Organization reports gifts of property, plant, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of property, plant, and equipment 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 property, plant, and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property, plant, and equipment must be maintained, the Organization reports expirations of donor restrictions over time based on an estimate of the useful lives of the donated or acquired property, plant, and equipment.

Certain property, plant, and equipment were acquired with funds from grant contracts that include the option for the grantor to require reversion of title at the end of the grant contract.

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Contract Revenue Recognition - The Organization enters into contracts with certain governmental and private agencies. Revenue under these contracts is recognized when earned. The activities of the Organization relating to certain contracts are subject to review or audit by the responsible governmental agency to determine compliance with award documents and may be subject to possible adjustment based on negotiations with the funding agencies. To facilitate the operation of some programs, the Organization receives advances of funds. These advances are recorded as liabilities in the accompanying consolidated statement of financial position. A grant receivable is recorded when the Organization has not yet received funds for a portion of the earned revenue. The Organization has not provided allowances in the consolidated financial statements for potential adjustments since such amounts, if any, are not expected to be significant.

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Donated Services and Assets - 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 a fair value in the period received.

In addition, many other volunteers have contributed significant amounts of time to the Organization without compensation. These contributions, although clearly substantial, are not recognized as contributions in the consolidated financial statements since the recognition criteria were not met.

Classification of Net Assets - Net assets of the Organization are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note I - Nature of Business and Significant Accounting Policies (Continued)

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Board-designated Net Assets - Board-designated net assets are unrestricted net assets designated by the board primarily related to operating and building reserves. These designations are based on board actions, which can be altered or revoked at a future time by the board.

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Federal Income Taxes - The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3).

Retirement Plans - YWCA participates in a 403(b) tax deferred plan, which allows participants to make voluntary contributions to the plan. No employer contributions were made to the plan in the years ended September 30, 2016 and 2015.

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including December 31, 2016, which is the date the consolidated financial statements were available to be issued.

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note I - Nature of Business and Significant Accounting Policies (Continued)

Upcoming Accounting Changes - In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending September 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has not yet determined which application method it will use or the potential effects of the new standard on the consolidated financial statements.

The Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in August 2016. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Organization's year ending September 30, 2019 and thereafter and must be applied on a retrospective basis. The Organization is currently evaluating the impact this standard will have on the consolidated financial statements.

Reclassification - Certain reclassifications were made to amounts in the 2015 financial statements conform to the classifications used in 2016. The reclassification resulted in no changes to total assets, total net assets, or cash flows.

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 2 - Contributions Receivable

Contributions receivable are as follows:

	<u>2016</u>	<u>2015</u>
Gross promises to give in less than one year	\$ 97,095	\$ 637,135
Less allowance for doubtful promises	<u>(2,000)</u>	<u>(6,148)</u>
Net receivable in less than one year	<u>\$ 95,095</u>	<u>\$ 630,987</u>
Gross promises to give in one to five years	\$ 475,983	\$ 480,983
Less discount on long-term promises	(14,332)	(13,134)
Less allowance for doubtful promises	<u>(3,121)</u>	<u>(6,613)</u>
Net receivable in one to five years	<u>\$ 458,530</u>	<u>\$ 461,236</u>

Note 3 - Investments

Investments consisted of the following at September 30:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 65,906	\$ 78,512
U.S. equity securities	742,555	551,803
International equities	90,507	91,958
Fixed income	208,478	254,502
Alternatives	-	22,662
Total	<u>\$ 1,107,446</u>	<u>\$ 999,437</u>

Permanent housing operating reserve escrow consisted of the following at September 30:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 141,255	\$ 40,304
Certificates of deposit	14,005	120,492
Asset-backed securities	<u>95,883</u>	<u>117,500</u>
Total	<u>\$ 251,143</u>	<u>\$ 278,296</u>

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

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at September 30, 2016 and 2015 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Organization's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the end of the reporting period. There were no transfers during 2016 and 2015.

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 4 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at September 30, 2016

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2016
Investments:				
Cash and cash equivalents	\$ 207,161	\$ -	\$ -	\$ 207,161
Certificate of deposit	14,005	-	-	14,005
Fixed income	208,478	-	-	208,478
U.S equity	742,555	-	-	742,555
International equity	90,507	-	-	90,507
Asset-backed securities	-	95,883	-	95,883
Beneficial interest in perpetual endowment fund	-	-	41,171	41,171
Beneficial interest in outside trusts	-	-	715,073	715,073
Total assets	<u>\$ 1,262,706</u>	<u>\$ 95,883</u>	<u>\$ 756,244</u>	<u>\$ 2,114,833</u>

Assets Measured at Fair Value on a Recurring Basis at September 30, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2015
Investments:				
Cash and cash equivalents	\$ 118,817	\$ -	\$ -	\$ 118,817
Certificate of deposit	120,492	-	-	120,492
Fixed income	254,502	-	-	254,502
U.S equity	551,804	-	-	551,804
Real estate	22,662	-	-	22,662
International equity	91,956	-	-	91,956
Asset-backed securities	-	117,500	-	117,500
Beneficial interest in perpetual endowment fund	-	-	41,452	41,452
Beneficial interest in outside trusts	-	-	690,283	690,283
Total assets	<u>\$ 1,160,233</u>	<u>\$ 117,500</u>	<u>\$ 731,735</u>	<u>\$ 2,009,468</u>

The Organization has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. These processes include obtaining the fair value of the assets held at the foundation and outside trusts. The Organization cannot independently assess the value of these underlying positions through a public exchange or over-the-counter market.

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 4 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended September 30, 2016 and 2015 are as follows:

	Beneficial Interest in Assets Held by Grand Rapids Community Foundation	Beneficial Interest in Outside Trusts
Balance at October 1, 2015	\$ 41,452	\$ 690,283
Total unrealized (losses) gains	(281)	24,790
Balance at September 30, 2016	<u>\$ 41,171</u>	<u>\$ 715,073</u>

	Beneficial Interest in Assets Held by Grand Rapids Community Foundation	Beneficial Interest in Outside Trusts
Balance at October 1, 2014	\$ 44,754	\$ 761,341
Total unrealized losses	(3,302)	(71,058)
Balance at September 30, 2015	<u>\$ 41,452</u>	<u>\$ 690,283</u>

Realized and unrealized gains and losses of \$24,509 and (\$74,360) for the years ended September 30, 2016 and 2015, respectively, are reported in change in beneficial interest in the consolidated statement of activities and changes in net assets.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2016	2015	Depreciable Life - Years
Land improvements	\$ 151,350	\$ 153,344	10-15
Buildings	5,703,385	5,642,270	7-40
Equipment	459,252	570,211	2-10
Construction in progress	4,796,565	873,581	-
Total cost	11,110,552	7,239,406	
Accumulated depreciation	3,750,327	3,690,906	
Net property and equipment	<u>\$ 7,360,225</u>	<u>\$ 3,548,500</u>	

Depreciation expense was \$101,360 for 2016 and \$154,851 for 2015.

In conjunction with a capital campaign, YWCA has entered into contracts for architecture and construction projects which remain open as of September 30, 2016. The contracted amount is approximately \$4,244,000. As of September 30, 2016, approximately \$4,096,000 of costs under these contracts has been incurred and is included in construction in progress. Remaining commitments on these contracts approximate \$148,000.

Note 6 - Note Receivable

As part of the New Markets Tax Credit structuring (see Note 8), YWCA issued a loan receivable to Chase NMTC YWCA GR Investment Fund, LLC, an unrelated entity, for \$5,940,400. The receivable requires quarterly interest-only payments at a rate of .5 percent with the repayment of principal beginning March 15, 2023.

Note 7 - Line of Credit

The Organization has an unsecured \$200,000 line of credit available from a bank. There were no borrowings on this line of credit at September 30, 2016 and 2015. The note bears interest at a the bank's prime rate less .5 percent. The note expires in July 2017.

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 8 - Debt

Debt at September 30 is as follows:

	2016	2015
YWCA MSHDA note payable, bearing no interest. The note is due in May 2057 and is secured by certain real estate with a net book value of approximately \$560,000 and \$577,000 at September 30, 2016 and 2015, respectively	\$ 570,000	\$ 570,000
YWCA term note payable, bearing 4.25 percent interest. The note is due in January 2020. Principal payments are due based upon requirement to maintain a debt to pledge ratio of not more than .8 to 1.0	443,500	-
GF note payable, due January 31, 2048. Interest is payable quarterly at a fixed rate of 1.091 percent. Repayment of principal does not begin until March 10, 2023. The note is collateralized by the Organization's property and equipment	5,241,500	-
GF note payable, due January 31, 2048. Interest is payable quarterly at a fixed rate of 1.091 percent. Repayment of principal does not begin until March 10, 2023. The note is collateralized by the Organization's property and equipment	2,183,500	-
GF note payable, due January 31, 2048. Interest is payable quarterly at a fixed rate of 1.091 percent. Repayment of principal does not begin until March 10, 2023. The note is collateralized by the Organization's property and equipment	698,900	-
GF note payable, due January 31, 2048. Interest is payable quarterly at a fixed rate of 1.091 percent. Repayment of principal does not begin until March 10, 2023. The note is collateralized by the Organization's property and equipment	301,100	-
Total	9,438,500	570,000
Less debt issuance costs	256,835	-
Long-term portion	\$ 9,181,665	\$ 570,000

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 8 - Debt (Continued)

The balance of the above debt matures as follows:

2020	\$	443,500
Thereafter		<u>8,995,000</u>
Total	\$	<u>9,438,500</u>

The loan document and funding agreement specify certain restrictions and various covenants.

Debt of \$8,425,000 financed the purchase of certain fixed assets from YWCA by Growth Fund and the construction and refurbishment of the facility during the year ended September 30, 2016. The transaction was structured under the New Markets Tax Credit program administered by the Community Development Financial Institutions Fund of the U.S. Department of the Treasury. Under the program and as part of the loan agreements, GF has committed to maintaining its status as a qualified active low-income community business as defined in IRC Section 45D.

Two of the notes contain a put provision which can be exercised during the period commencing on the last day of the Tax Credit Investment Period (the "Put Exercise Date") and ending 90 days after the Put Exercise Date. The put provision would require YWCA to pay \$1,000 upon which the principal portion of the notes will be forgiven by the bank. However, the Organization cannot assume the put provision will be exercised; therefore, the Organization must plan on repaying the loan over the full 30 years or until such time as the note is actually forgiven.

A call provision is also included, which can be exercised by YWCA. The call provision would require the bank to waive the debt for a cost equal to the fair market value of the bank's interest.

Interest expense related to debt for the year ended September 30, 2016 was approximately \$87,000.

Debt issuance costs represent legal and accounting fees, printing costs, and other expenses of \$256,835 associated with the issuance of the debt and are being amortized over the term of the debt. There was no accumulated amortization at September 30, 2016. Amortization expense will be charged to operations in 2017 through the maturity of the debt.

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 9 - Restricted Net Assets

Temporarily restricted net assets at September 30, 2016 and 2015 are restricted for the following:

	<u>2016</u>	<u>2015</u>
Permanent housing	\$ 251,143	\$ 278,296
Sponsorship for future events	111,020	126,774
Endowment Fund - Includes the total investment return from the permanently restricted endowment fund	652,731	603,406
United Way allocation	211,976	229,163
Capital campaign	-	3,011,184
HOME Investment Partnerships Program	327,204	327,204
Grants for future time periods	<u>13,266</u>	<u>37,354</u>
Total temporarily restricted net assets	<u>\$ 1,567,340</u>	<u>\$ 4,613,381</u>

Permanently restricted net assets at September 30, 2016 and 2015 are restricted for the following:

	<u>2016</u>	<u>2015</u>
Endowment Fund - Pledges receivable	\$ 62,501	\$ 112,500
Endowment Fund - Includes the principal amounts of permanently restricted gifts and bequests from donors	454,714	396,032
Beneficial interests in outside trusts	715,073	690,283
Beneficial interest in perpetual endowment fund	<u>41,171</u>	<u>41,452</u>
Total	<u>\$ 1,273,459</u>	<u>\$ 1,240,267</u>

Note 10 - Leases

YWCA leases various apartments for tenants in connection with its Transitional Housing Program. Total lease expense was \$202,578 and \$233,325 for the years ended September 30, 2016 and 2015, respectively. The leases expire at various dates through 2016 and 2017. Future minimum rental payments under the agreements are \$132,726 for the year ending September 30, 2017.

YWCA is the lessor of various housing units and building space. Total tenant rental income was \$62,599 and \$83,468 for the years ended September 30, 2016 and 2015, respectively. The leases expire at various dates through 2018. The cost and accumulated depreciation for the housing units under leasing agreements for the year ended September 30, 2016 totaled \$720,439 and \$160,525, respectively. The cost and accumulated depreciation for the housing units under leasing agreements for the year ended September 30, 2015 totaled \$720,439 and \$142,504, respectively.

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 10 - Leases (Continued)

The following is a schedule of future minimum rental payments to be received for the years ending September 30:

2017	\$	57,788
2018		<u>11,733</u>
Total	\$	<u>69,521</u>

Note 11 - Multiemployer Defined Benefit Pension Plan

The Organization participates in Young Women's Christian Association Retirement Fund, Inc.'s Plan (the "Plan"), a multiemployer defined benefit pension plan established to provide retirement, death, and disability benefits for eligible employees of participating Young Women's Christian Associations and the YWCA Retirement Fund (the "Fund"). The plan number and the employer identification number of the Plan are 001 and 13-1624231, respectively. Contribution rates are determined by each participating association and can be 10.0, 7.5, 5.0, or 3.0 percent. Based on the selected contribution rate, the Fund will add a corresponding pay credit of 4.0, 3.0, 2.0, or 1.0 percent, respectively, to each participant's account. The Plan also allows non-highly compensated participants to make voluntary after-tax contributions that are limited to 10 percent of compensation. Benefits under the Plan are generally based on compensation levels and years of service.

The financial risks of participating in multiemployer plans are different from single employer defined benefit pension plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- As part of the affiliation agreement with YWCA USA, YWCA must participate in the Plan.

During the year ended September 30, 2016, the Fund did not provide any contribution relief. YWCA contributed \$88,200 to the Plan for the year ended September 30, 2016, which was based on a rate of 5.0 percent.

For the year ended September 30, 2015, the Fund provided contribution relief to YWCA. This relief program was effective for contribution liability from May 1, 2014 - December 31, 2014 wherein the Fund provided for 75 percent of the employer's contribution obligation. The Fund contributed \$14,885 to the YWCA employee plans through this relief program for the year ended September 30, 2015. As a result, the Organization contributed 1.25 percent for contributions to the Plan for October through December and 5 percent from December to September. Contributions made by YWCA were based on the salaries of eligible employees. Retirement contributions to the Plan amounted to \$60,012 for the year ended September 30, 2015.

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 11 - Multiemployer Defined Benefit Pension Plan (Continued)

Based on information as of December 31, 2015, the year end of the Plan, the Organization's contributions to the Plan do not represent more than 5 percent of total contributions received by the Plan.

As of December 31, 2015, the certification zone status of the Plan, as defined by the Department of Labor Pension Protection Act, is green indicating the Plan is more than 80 percent funded. The certified zone status at September 30, 2016 has not been determined.

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

The following information is based on the financial statements of the Fund as of December 31, 2015:

	Young Women's Christian Association Retirement Fund, Inc.
Fair market value of plan assets	\$ 404,624,490
Actuarial present value of accumulated plan benefits	\$ 351,736,803
Indicated level of funding	115.0 %

Note 12 - Beneficial Interest in Community Foundation

YWCA is the beneficiary under an agency endowment agreement administered by a local community foundation. Under this agreement, 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 YWCA's consolidated 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 consolidated statement of activities and changes in net assets. Distributions from the Grand Rapids Community Foundation (the "Foundation") are recorded as income on the consolidated statement of activities and changes in net assets.

The Foundation maintains 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 consolidated statement of financial position of YWCA in the amount of \$41,171 and \$41,452 as of September 30, 2016 and 2015, respectively.

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 12 - Beneficial Interest in Community Foundation (Continued)

In addition, certain funds donated by outside donors for the benefit of the Organization are held and managed by the Foundation. The Foundation maintains variance power, which, as a result, requires that the assets it holds not be reported as assets of the Organization. The fair value of these funds is approximately \$40,000 as of September 30, 2016. These funds are not reflected in the consolidated financial statements. Earnings are available for distribution to the Organization at the discretion of the Foundation, and therefore are not reflected as revenue in the consolidated financial statements until received by the Organization.

The board of trustees of the 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.

Note 13 - Beneficial Interests in Outside Trusts

YWCA is an income beneficiary of several outside perpetual trusts having market values that aggregate \$1,896,380 and \$1,820,452 at September 30, 2016 and 2015, respectively. YWCA's participation in the income of each perpetual trust ranges from 20 to 50 percent.

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

Note 14 - Donor-restricted Endowments

The Organization's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 14 - Donor-restricted Endowments (Continued)

accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization.

Endowment Net Asset Composition by Type of Fund as of September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 652,731	\$ 517,214	\$ 1,169,945

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ -	\$ 603,406	\$ 508,531	\$ 1,111,937
Investment return:				
Investment income	-	20,710	-	20,710
Net appreciation (realized and unrealized)	-	66,659	-	66,659
Investment fees	-	(12,974)	-	(12,974)
Total investment return	-	74,395	-	74,395
Contributions	-	-	8,683	8,683
Appropriation of endowment assets for expenditure	-	(25,070)	-	(25,070)
Endowment net assets - End of year	\$ -	\$ 652,731	\$ 517,214	\$ 1,169,945

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 14 - Donor-restricted Endowments (Continued)

Endowment Net Asset Composition by Type of Fund as of September 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 603,406	\$ 508,531	\$ 1,111,937

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of year	\$ -	\$ 652,375	\$ 508,431	\$ 1,160,806
Investment return:				
Investment income	-	30,048	-	30,048
Net depreciation (realized and unrealized)	-	(47,871)	-	(47,871)
Investment fees	-	(7,718)	-	(7,718)
Total investment return	-	(25,541)	-	(25,541)
Contributions	-	-	100	100
Appropriation of endowment assets for expenditure	-	(23,428)	-	(23,428)
Endowment net assets - End of year	\$ -	\$ 603,406	\$ 508,531	\$ 1,111,937

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 UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in unrestricted net assets. These deficiencies may result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs. There were no such deficiencies as of September 30, 2016 and 2015.

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 14 - Donor-restricted Endowments (Continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods as well as board-designated funds. Under this policy, it is the goal of the aggregate fund assets to meet or exceed a weighted benchmark using the following preferred target asset allocation: equities, 60 percent; fixed-income securities, 30 percent; cash and cash equivalents, 5 percent; and alternative asset classes, 5 percent.

The Organization 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. YWCA understands that in order to achieve its objectives for fund assets, the Fund will experience volatility in returns and fluctuations of market value.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

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 Organization has a policy of appropriating for distribution each year 3 to 5 percent of aggregate portfolio market value using a moving average method of the five 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. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 15 - Contingencies

YWCA participates in federally funded programs. The programs are subject to the single audit requirements of the Uniform Guidance. 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.

YWCA has received the proceeds of \$393,560 of grants in May 2007 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 YWCA is not in default of the terms of this agreement for 15 years, the liens will be removed.

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

In September 2013, YWCA was awarded a \$500,000 grant from the Federal Home Loan Bank of Indianapolis (FHLBI). The funds were to be used in the capital campaign renovation project mentioned in Note 8 and were fully used for this purpose as of September 20, 2015. The agreement has various contingencies such as the continued specific use of the property for at least 15 years and notifying FHLBI of any intentions to sell the property. Management has agreed to the terms and conditions of the agreement and has intentions to remain compliant through the required period.

YWCA West Central Michigan

Notes to Consolidated Financial Statements September 30, 2016 and 2015

Note 16 - Pass-through Expenditures and In-house Transfers

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

	<u>2016</u>	<u>2015</u>
Pass-through expenditures:		
Specific assistance to consumers	\$ 424,023	\$ 470,515
Subrecipient pass-through professional services	11,708	85,891
In-house charge backs:		
Capital campaign expenses	-	106,821
YWCA staff wellness	-	4,237
YWCA WCM growth fund capital campaign expenses	<u>100,002</u>	<u>-</u>
Total reconciling expenses	<u>\$ 535,733</u>	<u>\$ 667,464</u>

Additional Information

Independent Auditor's Report on Additional Information

To the Board of Directors
YWCA West Central Michigan

We have audited the consolidated financial statements of YWCA West Central Michigan as of and for the year ended September 30, 2016 and have issued our report thereon dated December 21, 2016, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for the purpose of additional analysis rather than to present the financial position, statement of activities and changes in net assets, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

December 21, 2016

YWCA West Central Michigan

Consolidating Balance Sheet September 30, 2016

	YWCA	Growth Fund	Eliminating Entries	Total
Assets				
Cash and cash equivalents	\$ 502,662	\$ 781,002	\$ -	\$ 1,283,664
Receivables:				
Trade less allowance for doubtful accounts of \$1,703 for 2016	34,975	-	-	34,975
Contributions receivable	553,625	-	-	553,625
United Way	211,976	-	-	211,976
Grants and other	304,859	-	-	304,859
Investments	1,107,446	-	-	1,107,446
Prepaid expenses	147,311	-	-	147,311
Beneficial interests	756,244	-	-	756,244
Note receivable	5,977,237	-	(36,837)	5,940,400
Property and equipment	1,370,719	5,989,506	-	7,360,225
Permanent housing operating reserve escrow	251,143	-	-	251,143
	<u>\$ 11,218,197</u>	<u>\$ 6,770,508</u>	<u>\$ (36,837)</u>	<u>\$ 17,951,868</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 48,920	\$ 588,295	\$ (36,837)	\$ 600,378
Accrued liabilities	121,655	-	-	121,655
Debt	1,013,500	8,168,165	-	9,181,665
	<u>1,184,075</u>	<u>8,756,460</u>	<u>(36,837)</u>	<u>9,903,698</u>
Net Assets				
Unrestricted:	-	-	-	-
Undesignated	6,991,341	(1,985,952)	-	5,005,389
Board designated	201,982	-	-	201,982
Temporarily restricted	1,567,340	-	-	1,567,340
Permanently restricted	1,273,459	-	-	1,273,459
	<u>10,034,122</u>	<u>(1,985,952)</u>	<u>-</u>	<u>8,048,170</u>
Total liabilities and net assets	<u>\$ 11,218,197</u>	<u>\$ 6,770,508</u>	<u>\$ (36,837)</u>	<u>\$ 17,951,868</u>

YWCA West Central Michigan

Consolidating Statement of Activities and Changes in Net Assets Year Ended September 30, 2016

	YWCA	Growth Fund	Eliminating Entries	Total
Revenue and Support				
Contributions	\$ 485,133	\$ -	\$ (10,000)	\$ 475,133
In-kind donations	47,287	-	-	47,287
United Way	312,640	-	-	312,640
Governmental grants	2,524,214	-	-	2,524,214
Other income	19,208	27,765	-	46,973
Program fees	384,070	-	(47,984)	336,086
Special events (net of expenses of \$86,858 in 2016)	210,022	-	-	210,022
Interest and dividends	31,637	956	-	32,593
Net unrealized and realized gains	69,543	-	-	69,543
Loss on sale of fixed assets	(41,496)	-	-	(41,496)
Change in beneficial interests	24,509	-	-	24,509
Total revenue and support	4,066,767	28,721	(57,984)	4,037,504
Expenses				
Program services:				
Counseling programs	1,900,784	62,226	-	1,963,010
Housing	1,329,010	8,405	-	1,337,415
Youth programs	210,222	9,693	-	219,915
Center for Women	28,390	94,988	(57,984)	65,394
Special programs	8,454	1,039	-	9,493
Total program services	3,476,860	176,351	(57,984)	3,595,227
Support services:				
Management and general	393,001	-	-	393,001
Fundraising	217,313	-	-	217,313
Total support services	610,314	-	-	610,314
Total unrestricted expenses and losses	4,087,174	176,351	(57,984)	4,205,541
Net Asset Contributions	(454,000)	454,000	-	-
Net Asset Distribution	2,292,322	(2,292,322)	-	-
Increase (Decrease) in Net Assets	1,817,915	(1,985,952)	-	(168,037)
Net Assets - Beginning of year	8,216,207	-	-	8,216,207
Net Assets - End of year	\$ 10,034,122	\$ (1,985,952)	\$ -	\$ 8,048,170