

# **YWCA West Central Michigan**

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**Consolidated Financial Report  
with Additional Information  
September 30, 2017**

# **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, 2017 and 2016 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years 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, 2017 and 2016 and the results of their changes in net assets, functional expenses, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2018 on our consideration of 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 & Morse, PLLC*

February 14, 2018

# YWCA West Central Michigan

## Consolidated Statement of Financial Position

	September 30, 2017	September 30, 2016
<b>Assets</b>		
Cash and cash equivalents	\$ 473,821	\$ 1,283,664
Receivables:		
Trade less allowance for doubtful accounts of \$1,703 for 2017 and 2016	95,876	34,975
Contributions receivable (Note 2)	300,319	553,625
United Way	228,750	211,976
Grants and other	241,774	304,859
Investments (Notes 3 and 4)	1,406,043	1,107,446
Prepaid expenses	118,796	147,311
Beneficial interests (Notes 12 and 13)	794,682	756,244
Note receivable (Note 6)	5,940,400	5,940,400
Property and equipment (Note 5)	7,223,911	7,360,225
Permanent housing operating reserve escrow (Notes 3 and 4)	216,288	251,143
	<u>\$ 17,040,660</u>	<u>\$ 17,951,868</u>
Total assets		
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 63,227	\$ 600,378
Accrued liabilities	164,436	121,655
Debt (Note 8)	8,746,362	9,181,665
	<u>8,974,025</u>	<u>9,903,698</u>
Total liabilities		
<b>Net Assets</b>		
Unrestricted:		
Undesignated	4,746,434	5,005,389
Board designated	180,678	201,982
Temporarily restricted (Note 9)	1,817,840	1,567,340
Permanently restricted (Note 9)	1,321,683	1,273,459
	<u>8,066,635</u>	<u>8,048,170</u>
Total net assets		
	<u>\$ 17,040,660</u>	<u>\$ 17,951,868</u>
Total liabilities and net assets		

# YWCA West Central Michigan

## Consolidated Statement of Activities and Changes in Net Assets

	For the Year Ended							
	September 30, 2017				September 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Support</b>								
Contributions	\$ 362,641	\$ 157,385	\$ 9,787	\$ 529,813	\$ 278,271	\$ 188,179	\$ 8,683	\$ 475,133
In-kind donations	11,925	-	-	11,925	47,287	-	-	47,287
United Way	30,104	305,000	-	335,104	30,006	282,634	-	312,640
Governmental grants	2,926,021	-	-	2,926,021	2,524,214	-	-	2,524,214
Other income	119,546	-	-	119,546	46,973	-	-	46,973
Program fees	405,153	-	-	405,153	336,086	-	-	336,086
Special events - Net of expenses of \$132,197 and \$86,858 in 2017 and 2016, respectively	113,893	157,519	-	271,412	123,788	86,234	-	210,022
Interest and dividends	33,202	11,663	-	44,865	19,332	13,261	-	32,593
Net unrealized and realized (losses) gains	(2,012)	127,411	-	125,399	-	69,543	-	69,543
Loss on sale of fixed assets	-	-	-	-	(41,496)	-	-	(41,496)
Change in beneficial interests	-	-	38,437	38,437	-	-	24,509	24,509
<b>Total revenue and support</b>	<b>4,000,473</b>	<b>758,978</b>	<b>48,224</b>	<b>4,807,675</b>	<b>3,364,461</b>	<b>639,851</b>	<b>33,192</b>	<b>4,037,504</b>
<b>Net Assets Released from Restrictions</b>	<b>508,478</b>	<b>(508,478)</b>	<b>-</b>	<b>-</b>	<b>3,685,892</b>	<b>(3,685,892)</b>	<b>-</b>	<b>-</b>
<b>Total revenue, support, and net assets released from restrictions</b>	<b>4,508,951</b>	<b>250,500</b>	<b>48,224</b>	<b>4,807,675</b>	<b>7,050,353</b>	<b>(3,046,041)</b>	<b>33,192</b>	<b>4,037,504</b>
<b>Expenses</b>								
Program services:								
Counseling programs	2,162,799	-	-	2,162,799	1,963,010	-	-	1,963,010
Housing	1,403,644	-	-	1,403,644	1,337,415	-	-	1,337,415
Youth programs	235,739	-	-	235,739	219,915	-	-	219,915
Center for Women	219,109	-	-	219,109	65,394	-	-	65,394
Special programs	10,892	-	-	10,892	9,493	-	-	9,493
<b>Total program services</b>	<b>4,032,183</b>	<b>-</b>	<b>-</b>	<b>4,032,183</b>	<b>3,595,227</b>	<b>-</b>	<b>-</b>	<b>3,595,227</b>
Support services:								
Management and general	534,475	-	-	534,475	393,001	-	-	393,001
Fundraising	222,552	-	-	222,552	217,313	-	-	217,313
<b>Total support services</b>	<b>757,027</b>	<b>-</b>	<b>-</b>	<b>757,027</b>	<b>610,314</b>	<b>-</b>	<b>-</b>	<b>610,314</b>
<b>Total expenses</b>	<b>4,789,210</b>	<b>-</b>	<b>-</b>	<b>4,789,210</b>	<b>4,205,541</b>	<b>-</b>	<b>-</b>	<b>4,205,541</b>
<b>(Decrease) Increase in Net Assets</b>	<b>(280,259)</b>	<b>250,500</b>	<b>48,224</b>	<b>18,465</b>	<b>2,844,812</b>	<b>(3,046,041)</b>	<b>33,192</b>	<b>(168,037)</b>
<b>Net Assets - Beginning of year</b>	<b>5,207,371</b>	<b>1,567,340</b>	<b>1,273,459</b>	<b>8,048,170</b>	<b>2,362,559</b>	<b>4,613,381</b>	<b>1,240,267</b>	<b>8,216,207</b>
<b>Net Assets - End of year</b>	<b>\$ 4,927,112</b>	<b>\$ 1,817,840</b>	<b>\$ 1,321,683</b>	<b>\$ 8,066,635</b>	<b>\$ 5,207,371</b>	<b>\$ 1,567,340</b>	<b>\$ 1,273,459</b>	<b>\$ 8,048,170</b>

See Notes to Consolidated Financial Statements.

# YWCA West Central Michigan

## Consolidated Statement of Functional Expenses Year Ended September 30, 2017

	Program Services					Support Services			
	Counseling Programs	Housing	Youth Programs	Center for Women	Special Programs	Total	Management and General	Fundraising	Total
Salaries	\$ 1,243,920	\$ 563,092	\$ 119,834	\$ -	\$ 2,676	\$ 1,929,522	\$ 408,965	\$ 133,930	\$ 2,472,417
Payroll taxes	102,767	46,015	10,563	-	224	159,569	30,939	10,637	201,145
Employee benefits	195,929	107,184	20,862	-	512	324,487	49,900	21,236	395,623
Professional fees	76,622	11,178	2,165	5,355	-	95,320	109,403	5,361	210,084
Food and household supplies	1,029	29,268	10	-	-	30,307	-	-	30,307
Operating supplies and expenses	62,077	42,125	7,431	3,061	395	115,089	46,685	14,177	175,951
Telephone	20,433	13,389	3,203	-	-	37,025	4,861	1,429	43,315
Postage and shipping	796	258	91	-	1	1,146	791	4,395	6,332
Utilities	-	22,145	-	-	-	22,145	95,905	-	118,050
Insurance	4,294	13,327	2,105	4,500	-	24,226	16,873	263	41,362
Maintenance and repairs	15,233	24,649	2,977	-	-	42,859	58,560	2,203	103,622
In-kind supplies and services	3,800	100	4,824	-	-	8,724	-	3,201	11,925
Publicity and promotion	2,511	4,117	440	-	-	7,068	1,479	6,094	14,641
Travel and vehicle expense	26,507	5,584	5,820	-	128	38,039	2,617	343	40,999
Conferences, training, and dues	11,736	2,582	1,891	-	437	16,646	718	140	17,504
Direct client assistance	15,589	402,764	64	-	-	418,417	-	-	418,417
Property taxes, permits, and fees	-	9,124	-	-	-	9,124	819	-	9,943
Interest	76,291	2,757	9,192	10,955	919	100,114	-	7,893	108,007
National YWCA support	12,506	6,246	1,095	163	-	20,010	2,291	1,409	23,710
<b>Total expenses before building occupancy allocation and depreciation</b>	<b>1,872,040</b>	<b>1,305,904</b>	<b>192,567</b>	<b>24,034</b>	<b>5,292</b>	<b>3,399,837</b>	<b>830,806</b>	<b>212,711</b>	<b>4,443,354</b>
Building occupancy allocation	148,627	25,653	18,115	96,216	2,800	291,411	(296,331)	4,920	-
Depreciation	142,132	72,087	25,057	98,859	2,800	340,935	-	4,921	345,856
<b>Total building occupancy allocation and depreciation</b>	<b>290,759</b>	<b>97,740</b>	<b>43,172</b>	<b>195,075</b>	<b>5,600</b>	<b>632,346</b>	<b>(296,331)</b>	<b>9,841</b>	<b>345,856</b>
<b>Total expenses</b>	<b>\$ 2,162,799</b>	<b>\$ 1,403,644</b>	<b>\$ 235,739</b>	<b>\$ 219,109</b>	<b>\$ 10,892</b>	<b>\$ 4,032,183</b>	<b>\$ 534,475</b>	<b>\$ 222,552</b>	<b>\$ 4,789,210</b>

# YWCA West Central Michigan

## Consolidated Statement of Functional Expenses Year Ended September 30, 2016

	Program Services					Support Services			
	Counseling Programs	Housing	Youth Programs	Center for Women	Special Programs	Total	Management and General	Fundraising	Total
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	<b>\$ 1,963,010</b>	<b>\$ 1,337,415</b>	<b>\$ 219,915</b>	<b>\$ 65,394</b>	<b>\$ 9,493</b>	<b>\$ 3,595,227</b>	<b>\$ 393,001</b>	<b>\$ 217,313</b>	<b>\$ 4,205,541</b>

# YWCA West Central Michigan

## Consolidated Statement of Cash Flows

	Year Ended	
	September 30, 2017	September 30, 2016
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 18,465	\$ (168,037)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Contributions received for longer-term purposes, net of discount and bad debt	(63,356)	(186,763)
Depreciation expense	345,856	101,360
Unrealized gain on revaluation of beneficial interests	(38,438)	(24,509)
Realized and unrealized gain on investments	(125,399)	(69,543)
Loss on disposal of property and equipment	-	41,496
Amortization of debt issuance costs	8,197	-
Changes in operating assets and liabilities:		
Receivables	(158,571)	(29,979)
Prepaid expenses	28,515	(18,159)
Accounts payable	(537,151)	(316,334)
Accrued liabilities	42,781	(54,632)
Net cash used in operating activities	(479,101)	(725,100)
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(209,542)	(3,420,479)
Proceeds from sale of investments	1,275,125	1,296,345
Purchase of investments	(1,446,310)	(1,337,695)
Proceeds from sale of restricted investments	36,000	35,000
Purchase of restricted investments	(3,158)	(4,963)
Issuance of note receivable	-	(5,940,400)
Net cash used in investing activities	(347,885)	(9,372,192)
<b>Cash Flows from Financing Activities</b>		
Proceeds from contributions receivable restricted for long-term purposes	460,643	717,694
Debt issuance costs	-	(256,835)
Proceeds from debt	-	9,425,000
Payments on debt	(443,500)	(556,500)
Net cash provided by financing activities	17,143	9,329,359
<b>Net Decrease in Cash and Cash Equivalents</b>	(809,843)	(767,933)
<b>Cash and Cash Equivalents - Beginning of year</b>	1,283,664	2,051,597
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 473,821</b>	<b>\$ 1,283,664</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$ 108,007	\$ 87,289
Noncash transaction - Property and equipment included in accounts payable	-	534,102

# YWCA West Central Michigan

## Notes to Consolidated Financial Statements September 30, 2017 and 2016

### 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 (GF or the "Growth Fund"), since YWCA controls the appointment of the board of directors of the Growth Fund. In January 2016, the Growth Fund was formed as part of the New Markets Tax Credit (NMTC) financing. As a result of the financing structure, the Growth Fund holds the NMTC debt and owns the property and equipment which it leases to YWCA. YWCA and the Growth Fund (collectively, the "Organization") are presented as consolidated for the years ended September 30, 2017 and 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

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## Notes to Consolidated Financial Statements September 30, 2017 and 2016

### 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 using a risk-adjusted rate of return. The discount utilized as of September 30, 2017 and 2016 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. The Organization follows the practice of capitalizing all expenditures for fixed assets in excess of \$5,000. 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, 2017 and 2016

### Note I - 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 accrued 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.

The Organization, 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 YWCA for the years ended September 30, 2017 and 2016 include the U.S. Department of Justice (DOJ) and U.S. Department of Health and Human Services (HHS). DOJ revenue represents approximately 21 percent and 19 percent of total revenue and 15 percent and 6 percent of total receivables for the years ended September 30, 2017 and 2016, respectively. HHS revenue represents approximately 19 percent and 24 percent of total revenue and 1 percent and 10 percent of total receivables of the Organization for the years ended September 30, 2017 and 2016, respectively.

While certain of the arrangements under which 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 YWCA's services was significantly decreased or eliminated, YWCA would need to substantially reduce service offerings and eliminate costs and/or find alternative funding sources.

**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 recipients under the contract.

# YWCA West Central Michigan

## Notes to Consolidated Financial Statements September 30, 2017 and 2016

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

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.

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).

# YWCA West Central Michigan

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## Notes to Consolidated Financial Statements September 30, 2017 and 2016

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

**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, 2017 and 2016.

**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 February 14, 2018, which is the date the consolidated financial statements were available to be issued.

**Upcoming Accounting Changes** - In May 2014, the Financial Accounting Standards Board (FASB) 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 is evaluating its revenue streams to determine which method it will use and the potential effects of the new standard on the consolidated financial statements. The Organization does expect to have an increase in disclosures surrounding its revenue recognition.

# YWCA West Central Michigan

## Notes to Consolidated Financial Statements September 30, 2017 and 2016

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

The 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 the 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 gathering relevant information to timely implement this standard, including information for the enhanced liquidity and functional allocation disclosures.

### Note 2 - Contributions Receivable

Contributions receivable are as follows:

	2017	2016
Gross promises to give in less than one year	\$ 252,225	\$ 97,095
Less allowance for doubtful promises	(2,000)	(2,000)
Net receivable in less than one year	<u>\$ 250,225</u>	<u>\$ 95,095</u>
Gross promises to give in one to five years	\$ 61,695	\$ 475,983
Less discount on long-term promises	(2,658)	(14,332)
Less allowance for doubtful promises	(8,943)	(3,121)
Net receivable in one to five years	<u>\$ 50,094</u>	<u>\$ 458,530</u>

### Note 3 - Investments

Investments consisted of the following at September 30:

	2017	2016
Cash and cash equivalents	\$ 52,821	\$ 65,906
Certificates of deposit	127,610	-
U.S. equity securities	1,020,748	742,555
International equities	67,191	90,507
Fixed income	137,673	208,478
Total	<u>\$ 1,406,043</u>	<u>\$ 1,107,446</u>

# YWCA West Central Michigan

## Notes to Consolidated Financial Statements September 30, 2017 and 2016

### Note 3 - Investments (Continued)

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

	2017	2016
Cash and cash equivalents	\$ 145,035	\$ 141,255
Certificates of deposit	-	14,005
Asset-backed securities	71,253	95,883
Total	<u>\$ 216,288</u>	<u>\$ 251,143</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.

### 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, 2017 and 2016 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.

# YWCA West Central Michigan

## Notes to Consolidated Financial Statements September 30, 2017 and 2016

### Note 4 - Fair Value Measurements (Continued)

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 2017 and 2016.

#### Assets Measured at Fair Value on a Recurring Basis at September 30, 2017

	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, 2017
Investments:				
Cash and cash equivalents	\$ 197,856	\$ -	\$ -	\$ 197,856
Fixed income	137,673	-	-	137,673
U.S. equity	1,020,748	-	-	1,020,748
International equity	67,191	-	-	67,191
Asset-backed securities	-	71,253	-	71,253
Beneficial interest in perpetual endowment fund	-	-	43,940	43,940
Beneficial interest in outside trusts	-	-	750,742	750,742
Total assets	<u>\$ 1,423,468</u>	<u>\$ 71,253</u>	<u>\$ 794,682</u>	<u>\$ 2,289,403</u>

# YWCA West Central Michigan

## Notes to Consolidated Financial Statements September 30, 2017 and 2016

### 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>

As of September 30, 2017, included within investments on the consolidated statement of financial position is a bank certificate of deposit totaling \$127,610. This certificate is recorded at cost plus accrued interest and is, therefore, appropriately not included within the above fair market value tables.

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.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended September 30, 2017 and 2016 are as follows:

	Beneficial Interest in Assets Held by Grand Rapids Community Foundation	Beneficial Interest in Outside Trusts
Balance at October 1, 2016	\$ 41,171	\$ 715,073
Total unrealized gains	2,769	35,669
Balance at September 30, 2017	<u>\$ 43,940</u>	<u>\$ 750,742</u>

# YWCA West Central Michigan

## Notes to Consolidated Financial Statements September 30, 2017 and 2016

### Note 4 - Fair Value Measurements (Continued)

	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>

Realized and unrealized gains of \$38,437 and \$24,509 for the years ended September 30, 2017 and 2016, 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.

### Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2017	2016	Depreciable Life - Years
Land improvements	\$ 151,350	\$ 151,350	10-15
Buildings	10,356,408	5,703,385	7-40
Equipment	787,187	459,252	2-10
Construction in progress	-	4,796,565	-
Total cost	<u>11,294,945</u>	<u>11,110,552</u>	
Accumulated depreciation	<u>4,071,034</u>	<u>3,750,327</u>	
Net property and equipment	<u>\$ 7,223,911</u>	<u>\$ 7,360,225</u>	

Depreciation expense was \$345,856 for 2017 and \$101,360 for 2016.

# YWCA West Central Michigan

## Notes to Consolidated Financial Statements September 30, 2017 and 2016

### 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 on March 15, 2023.

### Note 7 - Line of Credit

The Organization has an unsecured \$200,000 line of credit available from a bank. There was \$0 of borrowings on this line of credit at September 30, 2017 and 2016. The note expired in July 2017, but was renewed and increased the available amount to \$300,000. The note bears interest at the bank's prime rate less .5 percent. The note expires in July 2018.

### Note 8 - Debt

Debt at September 30 is as follows:

	2017	2016
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 \$545,000 and \$560,000 at September 30, 2017 and 2016, 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. Note was paid in full in September 2017	-	443,500
GF note payable, due on 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	5,241,500
GF note payable, due on 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	2,183,500

# YWCA West Central Michigan

## Notes to Consolidated Financial Statements September 30, 2017 and 2016

### Note 8 - Debt (Continued)

	<u>2017</u>	<u>2016</u>
GF note payable, due on 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	\$ 698,900
GF note payable, due on 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	<u>301,100</u>	<u>301,100</u>
Total	8,995,000	9,438,500
Less debt issuance costs	<u>248,638</u>	<u>256,835</u>
Long-term portion	<u>\$ 8,746,362</u>	<u>\$ 9,181,665</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 the 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 throughout the entire term of the investment or loan.

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 years ended September 30, 2017 and 2016 were approximately \$100,000 and \$87,000, respectively.

# YWCA West Central Michigan

## Notes to Consolidated Financial Statements September 30, 2017 and 2016

### Note 8 - Debt (Continued)

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. Accumulated amortization at September 30, 2017 and 2016 was \$8,197 and \$0, respectively. Amortization expense is classified within interest expense for the years ended September 30, 2017 and 2016 in the amount of \$8,197 and \$0, respectively.

### Note 9 - Restricted Net Assets

Temporarily restricted net assets at September 30, 2017 and 2016 are restricted for the following:

	2017	2016
Permanent housing	\$ 216,288	\$ 251,143
Sponsorship for future events	150,493	111,020
Endowment Fund - Includes the total investment return from the permanently restricted endowment fund	763,931	652,731
United Way allocation	228,750	211,976
HOME Investment Partnerships Program	327,204	327,204
Grants for future time periods	131,174	13,266
Total temporarily restricted net assets	<u>\$ 1,817,840</u>	<u>\$ 1,567,340</u>

Permanently restricted net assets at September 30, 2017 and 2016 are restricted for the following:

	2017	2016
Endowment Fund - Pledges receivable	\$ 12,500	\$ 62,501
Endowment Fund - Includes the principal amounts of permanently restricted gifts and bequests from donors	514,501	454,714
Beneficial interests in outside trusts	750,742	715,073
Beneficial interest in perpetual endowment fund	43,940	41,171
Total	<u>\$ 1,321,683</u>	<u>\$ 1,273,459</u>

### Note 10 - Leases

YWCA leases various apartments for tenants in connection with its Transitional Housing Program. Total lease expense was \$288,452 and \$202,578 for the years ended September 30, 2017 and 2016, respectively. The leases expire at various dates through 2017 and 2018. Future minimum rental payments under the agreements are \$50,173 for the year ending September 30, 2018.

# YWCA West Central Michigan

## Notes to Consolidated Financial Statements September 30, 2017 and 2016

### Note 10 - Leases (Continued)

YWCA is the lessor of various housing units and building space. Total tenant rental income was \$55,128 and \$62,599 for the years ended September 30, 2017 and 2016, 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, 2017 totaled \$720,439 and \$178,570, respectively. 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.

Future minimum rental payments to be received under the agreements are \$30,708 for the year ending September 30, 2018.

### 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 nonhighly 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, 2017, the Fund did not provide any contribution relief. YWCA contributed \$90,859 to the Plan for the year ended September 30, 2017, which was based on a rate of 5.0 percent.

For 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.

# YWCA West Central Michigan

## Notes to Consolidated Financial Statements September 30, 2017 and 2016

### Note 11 - Multiemployer Defined Benefit Pension Plan (Continued)

Based on information as of December 31, 2016, 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, 2016, the certification zone status of the Plan, as defined by the Department of Labor Pension Protection Act, indicates the Plan is more than 80 percent funded. The certified zone status at September 30, 2017 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, 2016:

	Young Women's Christian Association Retirement Fund, Inc.
Fair market value of plan assets	\$ 406,175,804
Actuarial present value of accumulated plan benefits	\$ 342,990,669
Indicated level of funding	118.0 %

### 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 \$43,940 and \$41,171 as of September 30, 2017 and 2016, respectively.

# **YWCA West Central Michigan**

## **Notes to Consolidated Financial Statements September 30, 2017 and 2016**

### **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 \$45,000 and \$40,000 as of September 30, 2017 and 2016, respectively. 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. There were no contributions received during the years ended September 30, 2017 and 2016 from these assets held by the Foundation.

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 \$1,994,567 and \$1,896,380 at September 30, 2017 and 2016, respectively. YWCA's participation in the income of each perpetual trust ranges from 20 to 50 percent and has a total market value of \$750,742 and \$715,073 at September 30, 2017 and 2016, respectively.

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.

# YWCA West Central Michigan

## Notes to Consolidated Financial Statements September 30, 2017 and 2016

### Note 14 - Donor-restricted Endowments (Continued)

#### 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 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.

#### Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ -	\$ 652,731	\$ 517,214	\$ 1,169,945
Investment return:				
Investment income	-	26,398	-	26,398
Net appreciation (realized and unrealized)	-	127,412	-	127,412
Investment fees	-	(15,884)	-	(15,884)
Total investment return	-	137,926	-	137,926
Contributions	-	-	9,787	9,787
Appropriation of endowment assets for expenditure	-	(26,726)	-	(26,726)
Endowment net assets - End of year	<u>\$ -</u>	<u>\$ 763,931</u>	<u>\$ 527,001</u>	<u>\$ 1,290,932</u>

# YWCA West Central Michigan

## Notes to Consolidated Financial Statements September 30, 2017 and 2016

### Note 14 - Donor-restricted Endowments (Continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted 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)
Donor restricted endowment net assets - End of year	\$ -	\$ 652,731	\$ 517,214	\$ 1,169,945

#### 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, 2017 and 2016.

#### 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.

# **YWCA West Central Michigan**

## **Notes to Consolidated Financial Statements September 30, 2017 and 2016**

### **Note 14 - Donor-restricted Endowments (Continued)**

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. 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.

### **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 West Central Michigan

## Notes to Consolidated Financial Statements September 30, 2017 and 2016

### Note 15 - Contingencies (Continued)

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.

### 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>2017</u>	<u>2016</u>
Pass-through expenditures:		
Specific assistance to consumers	\$ 448,379	\$ 424,023
Subrecipient pass-through professional services	36,539	11,708
In-house charge backs:		
YWCA staff wellness	4,038	-
YWCA WCM growth fund capital campaign expenses	<u>100,191</u>	<u>100,002</u>
Total reconciling expenses	<u>\$ 589,147</u>	<u>\$ 535,733</u>

## **Additional Information**

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## 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 years ended September 30, 2017 and 2016 and have issued our report thereon dated February 14, 2018, 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, 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*

February 14, 2018

# YWCA West Central Michigan

## Consolidating Statement of Financial Position September 30, 2017

	YWCA	Growth Fund	Eliminating Entries	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 434,945	\$ 38,876	\$ -	\$ 473,821
Receivables:				
Trade less allowance for doubtful accounts of \$1,703 for 2017	95,876	-	-	95,876
Contributions receivable	300,319	-	-	300,319
United Way	228,750	-	-	228,750
Grants and other	241,774	-	-	241,774
Investments	1,406,043	-	-	1,406,043
Prepaid expenses	118,796	-	-	118,796
Beneficial interests	794,682	-	-	794,682
Note receivable	5,940,400	-	-	5,940,400
Property and equipment	1,332,280	5,891,631	-	7,223,911
Permanent housing operating reserve escrow	216,288	-	-	216,288
	<u>\$ 11,110,153</u>	<u>\$ 5,930,507</u>	<u>\$ -</u>	<u>\$ 17,040,660</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 32,478	\$ 30,749	\$ -	\$ 63,227
Accrued liabilities	164,436	-	-	164,436
Debt	570,000	8,176,362	-	8,746,362
	<u>766,914</u>	<u>8,207,111</u>	<u>-</u>	<u>8,974,025</u>
<b>Net Assets</b>				
Unrestricted:				
Undesignated	7,023,038	(2,276,604)	-	4,746,434
Board designated	180,678	-	-	180,678
Temporarily restricted	1,817,840	-	-	1,817,840
Permanently restricted	1,321,683	-	-	1,321,683
	<u>10,343,239</u>	<u>(2,276,604)</u>	<u>-</u>	<u>8,066,635</u>
Total liabilities and net assets	<u>\$ 11,110,153</u>	<u>\$ 5,930,507</u>	<u>\$ -</u>	<u>\$ 17,040,660</u>

# YWCA West Central Michigan

## Consolidating Statement of Activities and Changes in Net Assets Year Ended September 30, 2017

	YWCA	Growth Fund	Eliminating Entries	Total
<b>Revenue and Support</b>				
Contributions	\$ 559,029	\$ -	\$ (29,216)	\$ 529,813
In-kind donations	11,925	-	-	11,925
United Way	335,104	-	-	335,104
Governmental grants	2,926,021	-	-	2,926,021
Other income	81,189	117,107	(78,750)	119,546
Program fees	405,153	-	-	405,153
Special events (net of expenses of \$132,197 in 2017)	271,412	-	-	271,412
Interest and dividends	44,656	209	-	44,865
Net unrealized and realized gains	125,399	-	-	125,399
Change in beneficial interests	38,437	-	-	38,437
<b>Total revenue and support</b>	<b>4,798,325</b>	<b>117,316</b>	<b>(107,966)</b>	<b>4,807,675</b>
<b>Expenses</b>				
Program services:				
Counseling programs	1,972,377	190,422	-	2,162,799
Housing	1,343,001	60,643	-	1,403,644
Youth programs	206,426	29,313	-	235,739
Center for Women	215,719	111,356	(107,966)	219,109
Special programs	7,724	3,168	-	10,892
<b>Total program services</b>	<b>3,745,247</b>	<b>394,902</b>	<b>(107,966)</b>	<b>4,032,183</b>
Support services:				
Management and general	525,360	9,115	-	534,475
Fundraising	218,601	3,951	-	222,552
<b>Total support services</b>	<b>743,961</b>	<b>13,066</b>	<b>-</b>	<b>757,027</b>
<b>Total unrestricted expenses and losses</b>	<b>4,489,208</b>	<b>407,968</b>	<b>(107,966)</b>	<b>4,789,210</b>
<b>Increase (Decrease) in Net Assets</b>	<b>309,117</b>	<b>(290,652)</b>	<b>-</b>	<b>18,465</b>
<b>Net Assets - Beginning of year</b>	<b>10,034,122</b>	<b>(1,985,952)</b>	<b>-</b>	<b>8,048,170</b>
<b>Net Assets - End of year</b>	<b>\$ 10,343,239</b>	<b>\$ (2,276,604)</b>	<b>\$ -</b>	<b>\$ 8,066,635</b>