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# YWCA West Central Michigan

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**Consolidated Financial Report  
with Additional Information  
September 30, 2019**

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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 and its subsidiary (collectively, the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2019 and 2018 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.

### ***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, 2019 and 2018 and the results of their changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 2 to the consolidated financial statements, for the year ended September 30, 2019, the Organization adopted the provisions of Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

To the Board of Directors  
YWCA West Central Michigan

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019 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 & Moreau, PLLC*

December 18, 2019

# Consolidated Statement of Financial Position

**September 30, 2019 and 2018**

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 696,967	\$ 574,590
Investments (Notes 4 and 5)	1,566,954	1,526,545
Receivables:		
Trade less allowance for doubtful accounts	98,010	99,227
Contributions receivable - Net (Note 3)	98,120	126,793
United Way	228,750	228,750
Grants and other	331,248	249,627
Permanent housing operating reserve escrow (Notes 4 and 5)	143,476	178,475
Prepaid expenses	135,219	144,857
Note receivable (Note 7)	5,940,400	5,940,400
Beneficial interests (Notes 13 and 14)	772,770	812,106
Property and equipment - Net (Note 6)	6,649,243	6,931,824
	<u>\$ 16,661,157</u>	<u>\$ 16,813,194</u>
Total assets		
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 145,296	\$ 93,389
Accrued liabilities	183,950	168,524
Debt - Net (Note 9)	8,762,756	8,754,559
	<u>9,092,002</u>	<u>9,016,472</u>
Total liabilities		
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	4,115,648	4,436,015
Board designated	367,294	181,562
With donor restrictions (Note 10)	3,086,213	3,179,145
	<u>7,569,155</u>	<u>7,796,722</u>
Total net assets		
Total liabilities and net assets	<u>\$ 16,661,157</u>	<u>\$ 16,813,194</u>

# Consolidated Statement of Activities and Changes in Net Assets

**Years Ended September 30, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains, and Other Support</b>						
Governmental grants	\$ 3,324,813	\$ -	\$ 3,324,813	\$ 3,055,001	\$ -	\$ 3,055,001
Program fees	421,853	-	421,853	411,764	-	411,764
Contributions	611,847	96,602	708,449	246,466	121,401	367,867
In-kind donations	2,491	-	2,491	-	-	-
Special events	248,419	97,912	346,331	283,176	116,261	399,437
United Way	24,171	305,000	329,171	27,492	305,000	332,492
Other income	52,039	-	52,039	40,266	-	40,266
Interest and dividends - Net of investment fees	49,851	-	49,851	44,827	185	45,012
Net unrealized and realized (losses) gains	(18,372)	41,603	23,231	(13,737)	104,166	90,429
Change in beneficial interests	-	(39,336)	(39,336)	-	17,424	17,424
Total revenue, gains, and other support	4,717,112	501,781	5,218,893	4,095,255	664,437	4,759,692
<b>Net Assets Released from Restrictions</b>	594,713	(594,713)	-	624,815	(624,815)	-
Total revenue, gains, other support, and net assets released from restrictions	5,311,825	(92,932)	5,218,893	4,720,070	39,622	4,759,692
<b>Expenses</b>						
Program services:						
Counseling programs	2,606,216	-	2,606,216	2,319,238	-	2,319,238
Housing	1,471,652	-	1,471,652	1,411,091	-	1,411,091
Youth programs	264,237	-	264,237	258,793	-	258,793
Center for Women	190,082	-	190,082	196,928	-	196,928
Special programs	24,323	-	24,323	10,987	-	10,987
Total program services	4,556,510	-	4,556,510	4,197,037	-	4,197,037
Support services:						
Management and general	490,492	-	490,492	469,621	-	469,621
Fundraising	279,671	-	279,671	243,560	-	243,560
Special events	119,787	-	119,787	119,387	-	119,387
Total support services	889,950	-	889,950	832,568	-	832,568
Total expenses	5,446,460	-	5,446,460	5,029,605	-	5,029,605
<b>(Decrease) Increase in Net Assets</b>	(134,635)	(92,932)	(227,567)	(309,535)	39,622	(269,913)
<b>Net Assets - Beginning of year</b>	4,617,577	3,179,145	7,796,722	4,927,112	3,139,523	8,066,635
<b>Net Assets - End of year</b>	<b>\$ 4,482,942</b>	<b>\$ 3,086,213</b>	<b>\$ 7,569,155</b>	<b>\$ 4,617,577</b>	<b>\$ 3,179,145</b>	<b>\$ 7,796,722</b>

# Consolidated Statement of Functional Expenses

**Year Ended September 30, 2019**

	Program Services						Support Services			
	Counseling Programs	Housing	Youth Programs	Center for Women	Special Programs	Total Program Services	Management and General	Fundraising	Special Events	Total
Salaries	\$ 1,550,730	\$ 544,047	\$ 140,480	\$ -	\$ 15,002	\$ 2,250,259	\$ 412,016	\$ 161,408	\$ -	\$ 2,823,683
Payroll taxes	127,107	43,679	11,392	-	1,152	183,330	33,749	12,873	-	229,952
Employee benefits	257,332	98,122	30,629	-	2,564	388,647	56,811	18,227	-	463,685
Professional fees	78,010	46,206	2,215	3,559	-	129,990	73,750	37,281	35,648	276,669
Operating supplies and expenses	73,595	28,693	7,219	3,022	2,702	115,231	24,261	11,645	16,799	167,936
Telephone, postage, and shipping	22,583	19,068	3,460	-	1	45,112	9,483	6,536	-	61,131
In-kind supplies and services	-	2,491	-	-	-	2,491	-	-	-	2,491
Utilities	-	22,448	-	-	-	22,448	100,006	-	-	122,454
Insurance	4,455	10,565	1,474	5,649	-	22,143	19,222	252	-	41,617
Maintenance and repairs	24,777	63,720	4,410	4	-	92,911	77,762	2,695	-	173,368
Publicity and promotion	6,742	1,203	465	-	-	8,410	8	11,171	17,310	36,899
Travel and vehicle expense	41,218	5,699	5,807	-	158	52,882	4,087	108	-	57,077
Conferences, training, and dues	26,425	2,462	2,876	-	18	31,781	13,888	1,074	-	46,743
Direct client assistance	18,018	428,608	627	-	-	447,253	-	-	-	447,253
Food and household supplies	989	25,117	-	-	-	26,106	-	-	50,030	76,136
Property taxes, permits, and fees	-	8,377	-	-	-	8,377	582	-	-	8,959
Interest	52,997	30,852	5,196	2,404	468	91,917	-	-	-	91,917
National YWCA support	11,654	5,821	1,020	151	-	18,646	2,534	1,313	-	22,493
<b>Total expenses before building occupancy allocation and depreciation</b>	<b>2,296,632</b>	<b>1,387,178</b>	<b>217,270</b>	<b>14,789</b>	<b>22,065</b>	<b>3,937,934</b>	<b>828,159</b>	<b>264,583</b>	<b>119,787</b>	<b>5,150,463</b>
Building occupancy allocation	194,961	19,114	26,759	95,568	-	336,402	(347,522)	11,120	-	-
Depreciation	114,623	65,360	20,208	79,725	2,258	282,174	9,855	3,968	-	295,997
<b>Total functional expenses</b>	<b>\$ 2,606,216</b>	<b>\$ 1,471,652</b>	<b>\$ 264,237</b>	<b>\$ 190,082</b>	<b>\$ 24,323</b>	<b>\$ 4,556,510</b>	<b>\$ 490,492</b>	<b>\$ 279,671</b>	<b>\$ 119,787</b>	<b>\$ 5,446,460</b>

# Consolidated Statement of Functional Expenses

**Year Ended September 30, 2018**

	Program Services						Support Services			
	Counseling Programs	Housing	Youth Programs	Center for Women	Special Programs	Total Program Services	Management and General	Fundraising	Special Events	Total
Salaries	\$ 1,362,979	\$ 561,603	\$ 130,687	\$ -	\$ 2,868	\$ 2,058,137	\$ 354,720	\$ 150,465	\$ -	\$ 2,563,322
Payroll taxes	112,631	45,111	11,034	-	237	169,013	20,551	11,629	-	201,193
Employee benefits	209,747	105,263	29,777	-	571	345,358	51,040	17,931	-	414,329
Professional fees	88,030	17,717	2,105	3,656	-	111,508	122,757	17,757	29,463	281,485
Food and household supplies	678	26,280	22	-	-	26,980	-	-	47,644	74,624
Operating supplies and expenses	48,760	37,568	5,285	2,884	599	95,096	17,115	8,702	22,168	143,081
Telephone, postage, and shipping	21,104	13,565	3,222	-	1	37,892	6,698	3,967	-	48,557
National YWCA support	11,829	5,908	1,036	154	-	18,927	2,166	1,333	-	22,426
Utilities	-	24,495	-	-	-	24,495	98,412	-	-	122,907
Insurance	4,400	11,601	1,677	5,278	-	22,956	18,950	226	-	42,132
Maintenance and repairs	38,945	44,489	5,903	2	-	89,339	80,762	3,195	-	173,296
In-kind supplies and services	-	-	-	-	-	-	-	12,594	-	12,594
Publicity and promotion	2,363	877	995	-	-	4,235	-	5,163	20,112	29,510
Travel and vehicle expense	28,275	10,762	6,205	-	183	45,425	1,959	451	-	47,835
Conferences, training, and dues	21,032	2,530	1,138	-	247	24,947	638	579	-	26,164
Direct client assistance	17,553	399,350	2,460	-	-	419,363	-	-	-	419,363
Property taxes, permits, and fees	-	9,153	-	-	-	9,153	1,321	290	-	10,764
Interest	83,095	3,003	10,011	3,003	1,001	100,113	(36)	-	-	100,077
<b>Total expenses before building occupancy allocation and depreciation</b>	<b>2,051,421</b>	<b>1,319,275</b>	<b>211,557</b>	<b>14,977</b>	<b>5,707</b>	<b>3,602,937</b>	<b>777,053</b>	<b>234,282</b>	<b>119,387</b>	<b>4,733,659</b>
Building occupancy allocation	153,226	27,190	27,033	102,246	3,022	312,717	(318,028)	5,311	-	-
Depreciation	114,591	64,626	20,203	79,705	2,258	281,383	10,596	3,967	-	295,946
<b>Total functional expenses</b>	<b>\$ 2,319,238</b>	<b>\$ 1,411,091</b>	<b>\$ 258,793</b>	<b>\$ 196,928</b>	<b>\$ 10,987</b>	<b>\$ 4,197,037</b>	<b>\$ 469,621</b>	<b>\$ 243,560</b>	<b>\$ 119,387</b>	<b>\$ 5,029,605</b>



## Consolidated Statement of Cash Flows

**Years Ended September 30, 2019 and 2018**

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (227,567)	\$ (269,913)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents from operating activities:		
Depreciation expense	295,997	295,946
Unrealized loss (gain) on revaluation of beneficial interests	39,336	(17,424)
Realized and unrealized gain on investments	(23,231)	(90,432)
Amortization of debt issuance costs	8,197	8,197
Changes in operating assets and liabilities:		
Receivables	(89,103)	43,764
Prepaid expenses	9,638	(26,061)
Accounts payable	51,907	30,162
Accrued liabilities	15,426	4,088
Net cash and cash equivalents provided by (used in) operating activities	80,600	(21,673)
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(13,416)	(3,859)
Proceeds from sale of investments	603,387	442,729
Purchases of investments	(623,369)	(470,401)
Proceeds from sale of restricted investments	40,000	38,000
Purchase of restricted investments	(2,197)	(2,585)
Net cash and cash equivalents provided by investing activities	4,405	3,884
<b>Cash Flows Provided by Financing Activities</b> - Proceeds from contributions receivable restricted for long-term purposes	37,372	118,558
<b>Net Increase in Cash and Cash Equivalents</b>	122,377	100,769
<b>Cash and Cash Equivalents</b> - Beginning of year	574,590	473,821
<b>Cash and Cash Equivalents</b> - End of year	<u><u>\$ 696,967</u></u>	<u><u>\$ 574,590</u></u>
<b>Supplemental Disclosure of Cash Flow Information</b> - Cash paid for interest	\$ 100,114	\$ 100,077

## **Notes to Consolidated Financial Statements**

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**September 30, 2019 and 2018**

### **Note 1 - Nature of Organization**

YWCA West Central Michigan (YWCA) is primarily a provider of services to families in the Kent County, Michigan 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 and 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.

In January 2016, YWCA WCM Growth Fund (GF or 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 that it leases to YWCA.

### **Note 2 - Significant Accounting Policies**

#### ***Principles of Consolidation***

The consolidated financial statements include the accounts of YWCA and the Growth Fund, since YWCA controls the appointment of the board of directors of the Growth Fund. YWCA and the Growth Fund (collectively, the "Organization") are presented as consolidated for the years ended September 30, 2019 and 2018. 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***

Accounts receivable 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. Total allowance for doubtful accounts as of September 30, 2019 and 2018 was \$4,834 and \$834, respectively.

#### ***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 rate utilized as of September 30, 2019 and 2018 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.

## **Notes to Consolidated Financial Statements**

**September 30, 2019 and 2018**

### **Note 2 - Significant Accounting Policies (Continued)**

#### ***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. For those investments with restrictions, realized and unrealized gains and losses are presented as a change in net assets with donor restrictions until appropriated for expenditure, as disclosed in Note 15.

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 of fixed assets in excess of \$5,000. Costs of maintenance and repairs are charged to expense when incurred.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as support without donor restrictions and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets must be maintained. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Certain property 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. Total cost of these assets was \$714,783 as of September 30, 2019 and 2018. Accumulated depreciation for these assets was \$202,037 and \$188,544 as of September 30, 2019 and 2018, respectively.

#### ***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, 2019 and 2018 include the U.S. Department of Justice (DOJ) and U.S. Department of Health and Human Services (HHS). DOJ revenue represents approximately 26 percent of total revenue for the years ended September 30, 2019 and 2018. DOJ receivables represent 26 percent and 12 percent of total receivables as of September 30, 2019 and 2018, respectively. HHS revenue represents approximately 18 percent and 21 percent of total revenue and 8 percent and 9 percent of total receivables of the Organization as of and for the years ended September 30, 2019 and 2018, respectively.

## **Notes to Consolidated Financial Statements**

**September 30, 2019 and 2018**

### **Note 2 - Significant Accounting Policies (Continued)**

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.

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 support without donor restrictions. Other restricted gifts are reported as restricted support and net assets with donor restrictions.

#### ***Donated Services and Assets***

Donated services that create or enhance nonfinancial assets, or that require specialized skills, and would typically need to be purchased if not provided by donation are recorded at 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 based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

#### ***Board-designated Net Assets***

Board-designated net assets are net assets without restrictions designated by the board primarily related to operating, program, and building reserves. These designations are based on board actions, which can be altered or revoked at a future time by the board.

## Notes to Consolidated Financial Statements

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**September 30, 2019 and 2018**

### **Note 2 - Significant Accounting Policies (Continued)**

#### ***Functional Allocation of Expenses***

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Costs have been allocated between the various programs and support services primarily based on time and effort. Indirect costs are allocated based on time estimates employees spend supporting the respective function, or by related square footage of used space relative to the respective function. All other costs are charged directly to the functional area based on actual purpose. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

#### ***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, 2019 and 2018.

#### ***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.

#### ***Adoption of New Accounting Pronouncement***

For the year ended September 30, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. This standard also requires changes in the way certain information is aggregated and reported by the Organization, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. As a result of the adoption of this standard, the financial information for the year ended September 30, 2018 has been restated as follows: net assets of \$1,766,637 previously reported as temporarily restricted net assets and net assets of \$1,412,508 previously reported as permanently restricted net assets have been combined and reported as \$3,179,145 of net assets with donor restrictions. As a result of the adoption of this standard, expenses were reclassified from program expense to management and general, as well as from special event revenue to fundraising expense. The net effect of these changes is a decrease to program expense of \$9,671 and an increase to management and general, fundraising, and special events expense of \$9,835, \$12,430, and \$119,387, respectively. The standard has been applied on a retrospective basis, except for the liquidity disclosure, which is reported prospectively, as allowed by the ASU.

#### ***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including December 18, 2019, which is the date the consolidated financial statements were available to be issued.

## Notes to Consolidated Financial Statements

September 30, 2019 and 2018

**Note 2 - Significant Accounting Policies (Continued)*****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 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.

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Organization's year ending September 30, 2020 and will be applied on a modified prospective basis. The Organization does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts, but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

**Note 3 - Contributions Receivable**

Contributions receivable are as follows:

	2019	2018
Gross promises to give in less than one year	\$ 82,389	\$ 74,677
Less allowance for doubtful promises	(2,000)	(2,000)
Net receivable in less than one year	<u>\$ 80,389</u>	<u>\$ 72,677</u>
Gross promises to give in one to five years	\$ 20,388	\$ 58,372
Less discount on long-term promises	(1,382)	(2,658)
Less allowance for doubtful promises	(1,275)	(1,598)
Net receivable in one to five years	<u>\$ 17,731</u>	<u>\$ 54,116</u>



## Notes to Consolidated Financial Statements

September 30, 2019 and 2018

**Note 4 - Investments**

Investments consisted of the following at September 30:

	2019	2018
Cash and cash equivalents	\$ 59,012	\$ 47,349
Certificates of deposit	129,278	128,313
U.S. equity securities	896,556	919,090
Mutual funds	242,091	209,148
Fixed income	240,017	222,645
Total	<u>\$ 1,566,954</u>	<u>\$ 1,526,545</u>

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

	2019	2018
Cash and cash equivalents	\$ 42,030	\$ 87,287
Certificates of deposit	47,007	37,899
Asset-backed securities	54,439	53,289
Total	<u>\$ 143,476</u>	<u>\$ 178,475</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 5 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the 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, 2019 and 2018 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 out of Level 1, 2, and 3 fair value classifications as of the end of the reporting period. There were no transfers during 2019 and 2018.

## Notes to Consolidated Financial Statements

September 30, 2019 and 2018

## Note 5 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at September 30, 2019				
	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, 2019
Investments:				
Cash and cash equivalents	\$ 101,042	\$ -	\$ -	\$ 101,042
Fixed income	240,017	-	-	240,017
U.S. equity	896,556	-	-	896,556
Mutual funds	242,091	-	-	242,091
Asset-backed securities	-	54,439	-	54,439
Beneficial interest in perpetual endowment fund	-	-	42,478	42,478
Beneficial interest in outside trusts	-	-	730,292	730,292
Total assets	<u>\$ 1,479,706</u>	<u>\$ 54,439</u>	<u>\$ 772,770</u>	<u>\$ 2,306,915</u>
Assets Measured at Fair Value on a Recurring Basis at September 30, 2018				
	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, 2018
Investments:				
Cash and cash equivalents	\$ 134,636	\$ -	\$ -	\$ 134,636
Fixed Income	222,645	-	-	222,645
U.S. equity	919,090	-	-	919,090
Mutual funds	209,148	-	-	209,148
Asset-backed securities	-	53,289	-	53,289
Beneficial interest in perpetual endowment fund	-	-	44,367	44,367
Beneficial interest in outside trust	-	-	767,739	767,739
Total assets	<u>\$ 1,485,519</u>	<u>\$ 53,289</u>	<u>\$ 812,106</u>	<u>\$ 2,350,914</u>

As of September 30, 2019 and 2018, included within investments on the consolidated statement of financial position is a bank certificate of deposit totaling \$1,766,637 and \$166,212, respectively. This certificate is recorded at cost plus accrued interest and, therefore, is appropriately not included within the above fair 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.



## Notes to Consolidated Financial Statements

September 30, 2019 and 2018

**Note 5 - Fair Value Measurements (Continued)**

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended September 30, 2019 and 2018 are as follows:

	Beneficial Interest in Assets Held by Grand Rapids Community Foundation	Beneficial Interest in Outside Trusts
Balance at October 1, 2018	\$ 44,367	\$ 767,739
Total unrealized losses	(1,889)	(37,447)
Balance at September 30, 2019	<u>\$ 42,478</u>	<u>\$ 730,292</u>
	Beneficial Interest in Assets Held by Grand Rapids Community Foundation	Beneficial Interest in Outside Trusts
Balance at October 1, 2017	\$ 43,940	\$ 750,742
Total unrealized gains	427	16,997
Balance at September 30, 2018	<u>\$ 44,367</u>	<u>\$ 767,739</u>

Realized and unrealized gains of \$(39,336) and \$17,424 for the years ended September 30, 2019 and 2018, 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 6 - Property and Equipment**

Property and equipment are summarized as follows:

	2019	2018	Depreciable Life - Years
Land improvements	\$ 151,350	\$ 151,350	10-15
Buildings	10,360,267	10,360,267	7-40
Equipment	<u>800,597</u>	<u>787,187</u>	2-10
Total cost	11,312,214	11,298,804	
Accumulated depreciation	<u>4,662,971</u>	<u>4,366,980</u>	
Net property and equipment	<u>\$ 6,649,243</u>	<u>\$ 6,931,824</u>	

Depreciation expense for 2019 and 2018 was \$295,997 and \$295,946, respectively.

## Notes to Consolidated Financial Statements

September 30, 2019 and 2018

**Note 7 - Notes Receivable**

As part of the New Markets Tax Credit structuring (see Note 9), 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 0.5 percent, with the repayment of principal beginning on March 15, 2023.

**Note 8 - Line of Credit**

The Organization has an unsecured \$300,000 line of credit available from a bank. There was \$0 of borrowings on this line of credit at September 30, 2019 and 2018. The note expires in July 2020. The note bears interest at the bank's prime rate less 0.5 percent.

**Note 9 - Debt**

Debt at September 30 is as follows:

	2019	2018
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 \$513,000 and \$527,000 at September 30, 2019 and 2018, respectively	\$ 570,000	\$ 570,000
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
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	301,100	301,100
Total	8,995,000	8,995,000
Less debt issuance costs	232,244	240,441
Total debt - Net	<u>\$ 8,762,756</u>	<u>\$ 8,754,559</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.

## Notes to Consolidated Financial Statements

September 30, 2019 and 2018

**Note 9 - Debt (Continued)**

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, 2019 and 2018 was approximately \$92,000.

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. Accumulated amortization at September 30, 2019 and 2018 was \$24,591 and \$16,394, respectively. Amortization expense is classified within interest expense for the years ended September 30, 2019 and 2018 in the amount of \$8,197.

**Note 10 - Net Assets**

Board-designated net assets consist of the following as of September 30:

	2019	2018
Board-designated net assets:		
Operating	\$ 95,834	\$ -
Building	205,094	128,313
Endowment	12,893	-
Domestic violence programming	53,473	53,249
Total board-designated net assets	<u>\$ 367,294</u>	<u>\$ 181,562</u>

## Notes to Consolidated Financial Statements

September 30, 2019 and 2018

**Note 10 - Net Assets (Continued)**

Donor-restricted net assets at September 30, 2019 and 2018 are restricted for the following:

	2019	2018
Subject to expenditures for a specified purpose:		
Permanent housing	\$ 143,476	\$ 178,475
Sponsorship for future events	111,912	144,261
Endowment fund - Includes the total investment return from the held in perpetuity endowment funds	807,293	819,138
HOME Investment Partnerships Program	327,204	327,204
Total subject to expenditures for a specified purpose	1,389,885	1,469,078
Subject to the passage of time:		
United Way allocation	228,750	228,750
Grants for future time periods	38,304	68,809
Total subject to passage of time	267,054	297,559
Subject to the Organization's spending policy and appropriation:		
Endowment fund - Pledges receivable	17,512	18,288
Endowment fund - Includes the principal amounts of held in perpetuity restricted gifts and bequests from donors	638,992	582,114
Total subject to the Organization's spending policy and appropriation	656,504	600,402
Held in perpetuity but not subject to the Organization's spending policy and appropriation:		
Beneficial interest in outside trusts	730,292	767,739
Beneficial interests in perpetual endowment fund	42,478	44,367
Total held in perpetuity but not subject to the Organization's spending policy and appropriation	772,770	812,106
Total	<u>\$ 3,086,213</u>	<u>\$ 3,179,145</u>

**Note 11 - Leases**

YWCA leases various apartments for tenants in connection with its Transitional Housing Program. Total lease expense was \$351,276 and \$335,971 for the years ended September 30, 2019 and 2018, respectively. The leases expire at various dates through 2019 and 2020. Future minimum rental payments under the agreements are \$241,202 for the year ending September 30, 2020.

YWCA is the lessor of various housing units and building space. Total tenant rental income was \$34,428 and \$42,182 for the years ended September 30, 2019 and 2018, respectively. The leases expire at various dates through 2021. The cost and accumulated depreciation for the housing units under leasing agreements for the year ended September 30, 2019 totaled \$720,440 and \$207,298, respectively. The cost and accumulated depreciation for the housing units under leasing agreements for the year ended September 30, 2018 totaled \$720,440 and \$193,239, respectively.

Future minimum rental payments to be received under the agreements are \$39,222 for the year ending September 30, 2020 and \$9,933 for the year ending September 30, 2021.

## Notes to Consolidated Financial Statements

September 30, 2019 and 2018

**Note 12 - 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 WCM must participate in the Plan.

During the year ended September 30, 2019, the Fund did not provide any contribution relief. YWCA contributed \$95,708 to the Plan for the year ended September 30, 2019, which was based on a rate of 5.0 percent.

During year ended September 30, 2018, the Fund did not provide any contribution relief. YWCA contributed \$89,579 to the Plan for the year ended September 30, 2018, which was based on a rate of 5.0 percent.

Based on information as of December 31, 2018, 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, 2018, 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, 2019 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 Plan as of December 31, 2018:

	Young Women's Christian Association Retirement Fund, Inc.
Fair market value of plan assets	\$ 366,851,064
Actuarial present value of accumulated plan benefits	\$ 324,109,555
Indicated level of funding	113.00 %

## **Notes to Consolidated Financial Statements**

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**September 30, 2019 and 2018**

### **Note 13 - 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 \$42,478 and \$44,367 as of September 30, 2019 and 2018, respectively.

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 \$52,000 and \$50,000 as of September 30, 2019 and 2018, 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, 2019 and 2018 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 14 - Beneficial Interests in Outside Trusts**

YWCA is an income beneficiary of several outside perpetual trusts having market values that aggregate \$1,932,807 and \$2,034,462 at September 30, 2019 and 2018, respectively. YWCA's participation in the income of each perpetual trust ranges from 20 to 50 percent and has a total market value of \$730,292 and \$767,739 at September 30, 2019 and 2018, 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 net assets with donor restrictions in the consolidated statement of activities and changes in net assets.

### **Note 15 - Donor-restricted and Board-designated Endowments**

The Organization's endowment includes donor-restricted and board-designated 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.

## Notes to Consolidated Financial Statements

September 30, 2019 and 2018

**Note 15 - Donor-restricted and Board-designated Endowments (Continued)***Interpretation of Relevant Law*

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Organization had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment Net Asset Composition by Type of Fund as of September 30, 2019	
	Without Donor Restrictions
	With Donor Restrictions
Board-designated endowment funds	\$ 12,893
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-
Accumulated investment gains	656,504
	807,293
Total	\$ 1,463,797

## Notes to Consolidated Financial Statements

September 30, 2019 and 2018

**Note 15 - Donor-restricted and Board-designated Endowments (Continued)**

	Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2019	
	Without Donor Restrictions	With Donor Restrictions
Endowment net assets - Beginning of year	\$ -	\$ 1,419,540
Investment return:		
Investment income	-	36,321
Net appreciation (realized and unrealized)	-	20,426
Investment fees	-	(20,145)
Total investment return	-	36,602
Contributions	12,893	56,102
Appropriation of endowment assets for expenditure	-	(48,447)
Endowment net assets - End of year	<u>\$ 12,893</u>	<u>\$ 1,463,797</u>

	Endowment Net Asset Composition by Type of Fund as of September 30, 2018	
	Without Donor Restrictions	With Donor Restrictions
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ -	\$ 600,402
Accumulated investment gains	-	819,138
Total	<u>\$ -</u>	<u>\$ 1,419,540</u>

	Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2018	
	Without Donor Restrictions	With Donor Restrictions
Endowment net assets - Beginning of year	\$ -	\$ 1,290,932
Investment return:		
Investment income	-	29,214
Net appreciation (realized and unrealized)	-	92,828
Investment fees	-	(17,877)
Total investment return	-	104,165
Contributions	-	73,401
Appropriation of endowment assets for expenditure	-	(48,958)
Endowment net assets - End of year	<u>\$ -</u>	<u>\$ 1,419,540</u>

**Funds with Deficiencies**

As of September 30, 2019 and 2018, there were no funds with deficiencies.



## **Notes to Consolidated Financial Statements**

**September 30, 2019 and 2018**

### **Note 15 - Donor-restricted and Board-designated 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. Actual returns in any given year may vary from this amount.

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 16 - 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.

## Notes to Consolidated Financial Statements

September 30, 2019 and 2018

**Note 16 - Contingencies (Continued)**

YWCA received grant proceeds of \$393,560 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 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 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 17 - 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 chargebacks:

	2019	2018
Pass-through expenditures:		
Specific assistance to consumers	\$ 477,774	\$ 456,681
Subrecipient pass-through professional services	58,193	34,871
In-house chargebacks:		
YWCA staff wellness	4,416	2,932
YWCA WCM Growth Fund capital campaign expenses	100,114	100,114
Total reconciling expenses	<u>\$ 640,497</u>	<u>\$ 594,598</u>

## Notes to Consolidated Financial Statements

September 30, 2019 and 2018

**Note 18 - Liquidity and Availability of Resources**

The following reflects the Organization's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date:

Total assets - At year end	\$ 16,661,157
Less fixed and nonfinancial assets	<u>(6,784,462)</u>
Financial assets - At year end	9,876,695
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions - Net of expendable allocation from endowments	1,227,973
Subject to appropriation and satisfaction of donor restrictions	656,504
Beneficial interests	772,770
Other contractual or donor-imposed restrictions	5,940,400
Board designations:	
Quasi-endowment fund, primarily for long-term investing	12,893
Amounts set aside for operating, program, and building reserves	<u>354,401</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 911,754</u></u>

The Organization is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in various short-term investments.

The Organization also realizes there could be unanticipated liquidity needs.

The Organization has a committed line of credit in the amount of \$300,000 at September 30, 2019, which could be drawn upon if needed, as further described in Note 8.

The Organization's funds with donor-imposed time or purpose restrictions total \$1,656,939 at September 30, 2019, of which \$378,966 will satisfy donor-imposed restrictions within one year and approximately \$50,000 will be available within one year as part of the spendable allocation from endowments. At September 30, 2019, the Organization's endowment funds consist of quasi-endowment funds of \$12,893 and funds set aside for operating and building reserves of \$258,567. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 2, the quasi endowment consists of board-designated net assets primarily related to operating and building reserves. Although the Organization does not intend to spend from its quasi endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi endowment could be made available if necessary. The Organization also has beneficial interests that are held in perpetuity. These beneficial interests are considered financial assets; however, they are not available for use within one year.

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## 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 and its subsidiary as of and for the years ended September 30, 2019 and 2018 and have issued our report thereon dated December 18, 2019, 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 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.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

December 18, 2019

# Consolidating Statement of Financial Position

**September 30, 2019**

	YWCA	Growth Fund	Eliminating Entries	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 645,316	\$ 51,651	\$ -	\$ 696,967
Investments	1,566,954	-	-	1,566,954
Receivables:				
Trade less allowance for doubtful accounts	98,010	-	-	98,010
Contributions receivable - Net	98,120	-	-	98,120
United Way	228,750	-	-	228,750
Grants and other	331,248	-	-	331,248
Permanent housing operating reserve escrow	143,476	-	-	143,476
Prepaid expenses	135,219	-	-	135,219
Note receivable	5,940,400	-	-	5,940,400
Beneficial interests	772,770	-	-	772,770
Property and equipment - Net	1,231,731	5,417,512	-	6,649,243
<b>Total assets</b>	<b>\$ 11,191,994</b>	<b>\$ 5,469,163</b>	<b>\$ -</b>	<b>\$ 16,661,157</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 110,687	\$ 34,609	\$ -	\$ 145,296
Accrued liabilities	183,950	-	-	183,950
Debt - Net	570,000	8,192,756	-	8,762,756
<b>Total liabilities</b>	<b>864,637</b>	<b>8,227,365</b>	<b>-</b>	<b>9,092,002</b>
<b>Net Assets</b>				
Without donor restrictions:				
Undesignated	6,873,850	(2,758,202)	-	4,115,648
Board designated	367,294	-	-	367,294
With donor restrictions	3,086,213	-	-	3,086,213
<b>Total net assets</b>	<b>10,327,357</b>	<b>(2,758,202)</b>	<b>-</b>	<b>7,569,155</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,191,994</b>	<b>\$ 5,469,163</b>	<b>\$ -</b>	<b>\$ 16,661,157</b>

# Consolidating Statement of Activities and Changes in Net Assets

**Year Ended September 30, 2019**

	YWCA	Growth Fund	Eliminating Entries	Total
<b>Changes Net Assets without Donor Restrictions</b>				
Revenue, gains, and other support:				
Governmental grants	\$ 3,324,813	\$ -	\$ -	\$ 3,324,813
Program fees	421,853	-	-	421,853
Contributions	637,027	-	(25,180)	611,847
In-kind donations	2,491	-	-	2,491
Special events	248,419	-	-	248,419
United Way	24,171	-	-	24,171
Other income	13,909	123,130	(85,000)	52,039
Interest and dividends	49,851	-	-	49,851
Net unrealized and realized loss	(18,372)	-	-	(18,372)
Net assets released from restrictions	594,713	-	-	594,713
Total revenue, gains, and other support	5,298,875	123,130	(110,180)	5,311,825
Expenses:				
Program services:				
Counseling programs	2,433,869	172,347	-	2,606,216
Housing	1,419,813	51,839	-	1,471,652
Youth programs	238,370	25,867	-	264,237
Center for Women	192,739	107,523	(110,180)	190,082
Special programs	21,555	2,768	-	24,323
Total program services	4,306,346	360,344	(110,180)	4,556,510
Support services:				
Management and general	490,492	-	-	490,492
Fundraising	275,703	3,968	-	279,671
Special events	119,787	-	-	119,787
Total support services	885,982	3,968	-	889,950
Total expenses	5,192,328	364,312	(110,180)	5,446,460
<b>Changes in Net Assets with Donor Restrictions</b>				
Contributions	96,602	-	-	96,602
Special events	97,912	-	-	97,912
United Way	305,000	-	-	305,000
Net unrealized and realized gains	41,603	-	-	41,603
Change in beneficial interests	(39,336)	-	-	(39,336)
Net assets released from restrictions	(594,713)	-	-	(594,713)
<b>Decrease in Net Assets with Donor Restrictions</b>	(92,932)	-	-	(92,932)
<b>Increase (Decrease) in Net Assets</b>	13,615	(241,182)	-	(227,567)
<b>Net Assets - Beginning of year</b>	10,313,742	(2,517,020)	-	7,796,722
<b>Net Assets - End of year</b>	<u>\$ 10,327,357</u>	<u>\$ (2,758,202)</u>	<u>\$ -</u>	<u>\$ 7,569,155</u>