

Shelter Association of Washtenaw County

Financial Statements

June 30, 2015 and 2014

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Independent Auditors' Report

To the Board of Directors
Shelter Association of Washtenaw County

Report on the Financial Statements

We have audited the accompanying financial statements of Shelter Association of Washtenaw County which comprise the statement of financial position as of June 30, 2015, and 2014 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Shelter Association of Washtenaw County as of June 30, 2015, and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Yeo & Yeo, P.C.

Ann Arbor, Michigan

September 14, 2015

Shelter Association of Washtenaw County
Statement of Financial Position
June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 440,911 | \$ 503,432 |
| Cash held in investments | 115,669 | 19,110 |
| Receivables | | |
| Other | 387,961 | 293,812 |
| Promises to give | 89,026 | 81,844 |
| Investments | 1,321,912 | 1,463,345 |
| Prepaid expenses | <u>16,914</u> | <u>8,469</u> |
| Total current assets | 2,372,393 | 2,370,012 |
| Promises to give, net of current portion | 40,832 | 94,294 |
| Property and equipment, net | <u>65,154</u> | <u>53,830</u> |
| Total assets | <u>\$ 2,478,379</u> | <u>\$ 2,518,136</u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable | \$ 678 | \$ 4,179 |
| Accrued payroll and withholdings | <u>103,921</u> | <u>92,156</u> |
| Total current liabilities | <u>104,599</u> | <u>96,335</u> |
| Net assets | | |
| Unrestricted | | |
| Undesignated | 894,790 | 968,425 |
| Board designated | <u>250,000</u> | <u>250,000</u> |
| Total unrestricted net assets | 1,144,790 | 1,218,425 |
| Temporarily restricted | 201,752 | 176,138 |
| Permanently restricted | <u>1,027,238</u> | <u>1,027,238</u> |
| Total net assets | <u>2,373,780</u> | <u>2,421,801</u> |
| Total liabilities and net assets | <u>\$ 2,478,379</u> | <u>\$ 2,518,136</u> |

See Accompanying Notes to the Financial Statements

Shelter Association of Washtenaw County
Statement of Activities
For the Years Ended June 30, 2015 and 2014

| | June 30, 2015 | | | June 30, 2014 | | | | |
|---|---------------------|---------------------------|---------------------------|---------------------|---------------------|---------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2015 | Unrestricted | Temporarily Restricted | Permanently Restricted | 2014 |
| Revenue and Support | | | | | | | | |
| Contributions | \$ 488,874 | \$ 120,700 | \$ - | \$ 609,574 | \$ 353,712 | \$ 176,750 | \$ - | \$ 530,462 |
| In-kind donations | 35,017 | - | - | 35,017 | 47,729 | - | - | 47,729 |
| Grants | 1,851,098 | - | - | 1,851,098 | 1,968,582 | - | - | 1,968,582 |
| Special event revenue (net) | 81,799 | - | - | 81,799 | 106,954 | - | - | 106,954 |
| Net realized and unrealized gains (loss) on investments | (37,729) | - | - | (37,729) | 115,650 | - | - | 115,650 |
| Interest income | 64,556 | - | - | 64,556 | 60,719 | - | - | 60,719 |
| Miscellaneous income | 41,383 | - | - | 41,383 | 37,915 | - | - | 37,915 |
| Total revenue and support | 2,524,998 | 120,700 | - | 2,645,698 | 2,691,261 | 176,750 | - | 2,868,011 |
| Net assets released from restrictions | | | | | | | | |
| Satisfaction of time restrictions | 95,086 | (95,086) | - | - | 96,933 | (96,933) | - | - |
| Total revenue, support and net assets released from restrictions | 2,620,084 | 25,614 | - | 2,645,698 | 2,788,194 | 79,817 | - | 2,868,011 |
| Expenses | | | | | | | | |
| Program services | 2,073,818 | - | - | 2,073,818 | 2,062,233 | - | - | 2,062,233 |
| Support services | | | | | | | | |
| Management and general | 370,163 | - | - | 370,163 | 290,258 | - | - | 290,258 |
| Fundraising | 249,738 | - | - | 249,738 | 233,167 | - | - | 233,167 |
| Total expenses | 2,693,719 | - | - | 2,693,719 | 2,585,658 | - | - | 2,585,658 |
| Change in net assets | (73,635) | 25,614 | - | (48,021) | 202,536 | 79,817 | - | 282,353 |
| Net assets - beginning of the year | 1,218,425 | 176,138 | 1,027,238 | 2,421,801 | 1,015,889 | 96,321 | 1,027,238 | 2,139,448 |
| Net assets - end of the year | <u>\$ 1,144,790</u> | <u>\$ 201,752</u> | <u>\$ 1,027,238</u> | <u>\$ 2,373,780</u> | <u>\$ 1,218,425</u> | <u>\$ 176,138</u> | <u>\$ 1,027,238</u> | <u>\$ 2,421,801</u> |

See Accompanying Notes to the Financial Statements

Shelter Association of Washtenaw County
Statement of Functional Expenses
For the Year Ended June 30, 2015
(With Comparative Totals for June 30, 2014)

| | Program Services | Management and General | Fundraising | 2015 | 2014 |
|------------------------------------|-------------------------|---------------------------|-----------------------|--------------------------------|-------------------------|
| Salaries and wages | \$ 1,305,571 | \$ 220,078 | \$ 177,786 | \$ 1,703,435 | \$ 1,520,915 |
| Employee benefits | 142,953 | 34,067 | 15,980 | 193,000 | 163,295 |
| Payroll taxes | <u>134,769</u> | <u>27,550</u> | <u>12,032</u> | <u>174,351</u> | <u>163,473</u> |
| Total payroll expenses | <u>1,583,293</u> | <u>281,695</u> | <u>205,798</u> | <u>2,070,786</u> | <u>1,847,683</u> |
| Conferences and meetings | 1,439 | 2,876 | 2,876 | 7,191 | 5,845 |
| Contracted services | 70,569 | 24,999 | - | 95,568 | 70,962 |
| Equipment repair and maintenance | 5,879 | 5,270 | 1,898 | 13,047 | 7,244 |
| Insurance | 34,002 | 17,807 | - | 51,809 | 38,371 |
| Occupancy - repair and maintenance | 5,069 | - | - | 5,069 | 5,704 |
| Occupancy - utilities | 80,518 | 5,231 | - | 85,749 | 84,495 |
| Postage and shipping | 166 | 277 | 2,325 | 2,768 | 5,423 |
| Printing and publications | - | 2,463 | 22,167 | 24,630 | 15,987 |
| Professional fees | - | 16,700 | - | 16,700 | 16,150 |
| Specific assistance to individuals | 124,988 | - | - | 124,988 | 297,977 |
| Supplies | 122,222 | 1,239 | 1,239 | 124,700 | 129,740 |
| Telephone | 7,763 | 971 | 971 | 9,705 | 6,707 |
| Travel | 9,305 | 1,201 | - | 10,506 | 4,741 |
| Bank charges | - | 4,132 | 5,258 | 9,390 | 7,638 |
| Investment expense - endowment | - | - | 7,027 | 7,027 | 6,928 |
| Equipment purchases/rental | 5,506 | 1,836 | - | 7,342 | 11,909 |
| Other | 5,642 | 2,547 | 179 | 8,368 | 6,849 |
| Depreciation | <u>17,457</u> | <u>919</u> | <u>-</u> | <u>18,376</u> | <u>15,305</u> |
| Total expenses | <u>\$ 2,073,818</u> | <u>\$ 370,163</u> | <u>\$ 249,738</u> | <u>\$ 2,693,719</u> | <u>\$ 2,585,658</u> |

See Accompanying Notes to the Financial Statements

Shelter Association of Washtenaw County
Statement of Functional Expenses
For the Year Ended June 30, 2014

| | Program Services | Management and General | Fundraising | 2014 |
|------------------------------------|-------------------------|---------------------------|-----------------------|--------------------------------|
| Salaries and wages | \$ 1,176,362 | \$ 170,741 | \$ 173,812 | \$ 1,520,915 |
| Employee benefits | 121,424 | 28,759 | 13,112 | 163,295 |
| Payroll taxes | <u>126,889</u> | <u>25,479</u> | <u>11,105</u> | <u>163,473</u> |
| Total payroll expenses | <u>1,424,675</u> | <u>224,979</u> | <u>198,029</u> | <u>1,847,683</u> |
| Conferences and meetings | 1,169 | 2,338 | 2,338 | 5,845 |
| Contracted services | 59,993 | 10,969 | - | 70,962 |
| Equipment repair and maintenance | 3,282 | 3,045 | 917 | 7,244 |
| Insurance | 24,832 | 13,539 | - | 38,371 |
| Occupancy - repair and maintenance | 5,704 | - | - | 5,704 |
| Occupancy - utilities | 79,184 | 5,311 | - | 84,495 |
| Postage and shipping | 326 | 542 | 4,555 | 5,423 |
| Printing and publications | - | 1,599 | 14,388 | 15,987 |
| Professional fees | - | 16,150 | - | 16,150 |
| Specific assistance to individuals | 297,977 | - | - | 297,977 |
| Supplies | 127,918 | 911 | 911 | 129,740 |
| Telephone | 5,365 | 671 | 671 | 6,707 |
| Travel | 4,142 | 599 | - | 4,741 |
| Bank charges | - | 3,361 | 4,277 | 7,638 |
| Investment expense - endowment | - | - | 6,928 | 6,928 |
| Equipment purchases/rental | 8,932 | 2,977 | - | 11,909 |
| Other | 4,194 | 2,502 | 153 | 6,849 |
| Depreciation | <u>14,540</u> | <u>765</u> | <u>-</u> | <u>15,305</u> |
| Total expenses | <u>\$ 2,062,233</u> | <u>\$ 290,258</u> | <u>\$ 233,167</u> | <u>\$ 2,585,658</u> |

See Accompanying Notes to the Financial Statements

Shelter Association of Washtenaw County
Statement of Cash Flows
For the Years Ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|--------------------|-------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (48,021) | \$ 282,353 |
| Adjustments to reconcile change in net assets to net cash provided by operations: | | |
| Depreciation | 18,376 | 15,305 |
| Unrealized gains and reinvested earnings on investments | 16,718 | (115,650) |
| Donated stock | (17,797) | - |
| Increase (decrease) in: | | |
| Receivables | (47,869) | (162,383) |
| Prepaid expenses | (8,445) | (2,544) |
| Accounts payable | (3,501) | (11,091) |
| Accrued liabilities | 11,765 | 8,811 |
| | (78,774) | 14,801 |
| Cash flows from investing activities: | | |
| Purchase of investments | (174,254) | (225,327) |
| Proceeds from sale of investments | 220,207 | 234,534 |
| Additions to property and equipment | (29,700) | - |
| | 16,253 | 9,207 |
| Net change in cash and cash equivalents | (62,521) | 24,008 |
| Cash and cash equivalents, beginning of the year | 503,432 | 479,424 |
| Cash and cash equivalents, end of the year | \$ 440,911 | \$ 503,432 |

See Accompanying Notes to the Financial Statements

Shelter Association of Washtenaw County
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Shelter Association of Washtenaw County (the “Shelter Association”) is a Michigan non-profit organization, based in Ann Arbor, Michigan, offering a variety of services and intensive case management to individuals who are experiencing homelessness. Services include immediate needs related to food, clothing, and transportation. Extended assistance related to substance abuse treatment, health care, permanent housing, and money management may also be provided. The Shelter Association also participates in the Shelter Plus Care Program, which is aimed at moving clients from overnight shelters to a subsidized apartment of similar setting. In 2010 the Shelter Association became the lead agency for two additional rent subsidy programs – The Tenant Based Rent Assistance Program and the federally funded Homelessness Prevention/Rapid Re-Housing Program. Sources of revenues are grants and contributions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Net assets of the Shelter Association, and changes therein, are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

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.

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.

Shelter Association of Washtenaw County
Notes to the Financial Statements
June 30, 2015

Donated Services and Goods

The Shelter Association records the value of donated goods as contributions using estimated fair values at the date of receipt. The Shelter Association recognized donated supplies of \$35,017 and \$47,729 for the years ended June 30, 2015 and 2014, respectively.

Contributions of 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 their fair values in the period received. While a significant amount of volunteered services was received, the Shelter Association did not receive any donated services for the years ended June 30, 2015 and 2014 that met the criteria to be recorded.

Cash and Cash Equivalents

The Shelter Association considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents except for temporary investment funds considered to be part of the investment portfolio. The carrying amount of the Shelter Association's deposits with financial institutions at year end was \$440,911. The actual bank balance amounted to \$454,552. Of these balances \$250,000 was insured by the FDIC.

Accounts Receivable

The Shelter Association uses the allowance method for accounting for doubtful accounts. Management regularly reviews the collection history of its receivables balances with particular attention given to those amounts greater than 90 days old. Based on management's review all amounts will be collectible, no allowance was deemed necessary as of June 30, 2015 and 2014.

Investments

Investments are stated at fair value based on quoted prices in active markets. Realized gains and losses on sales of investments represent the difference between the net sales price and the cost of securities sold. Unrealized gains and losses on investments represent the net change for the reported year in unrealized appreciation between the balance at the beginning and the end of the year. Donated investments are reflected as contributions at their market values at date of receipt.

Property, Furniture and Equipment

Furniture and equipment are stated at cost or fair market value at the date received. Property, furniture and equipment with costs exceeding \$2,500 will be capitalized. Minor maintenance and repair costs will be expensed.

Depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The Shelter Association estimates the useful life of its assets between 5 and 10 years.

Functional Expenses

The allocation of expenses to the functional programs and management and general categories was computed using allocation percentages historically used during preparation of The Shelter Association budget.

Shelter Association of Washtenaw County
Notes to the Financial Statements
June 30, 2015

Income Tax Status

The Shelter Association is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization other than a private foundation, as described in Section 509(a). The Shelter Association files information returns in the U.S Federal and Michigan jurisdiction.

Risks and Uncertainties

The Shelter Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, 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 balance sheet.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through September 14, 2015, which is the date the financial statements were available to be issued.

NOTE 2 – PROMISES TO GIVE

Promises to give are scheduled to be collected as follows:

| Year Ended June 31, | |
|---------------------|-------------------|
| 2016 | \$ 89,026 |
| 2017 | 30,082 |
| 2018 | 8,750 |
| 2019 | <u>2,000</u> |
| | <u>\$ 129,858</u> |

All recognized promises to give as of June 30, 2015 are unconditional. No allowance was deemed necessary for promises to give as they were deemed fully collectible by management.

Promises to give activity for 2015 is detailed as follows:

| | |
|-------------------------------|-------------------|
| Balance beginning of the year | \$ 176,138 |
| Add: new pledges | 47,347 |
| Less: collections | <u>(93,627)</u> |
| Balance end of the year | <u>\$ 129,858</u> |

NOTE 3 – INVESTMENTS

The fair value of the investment account consisted of the following at June 30:

| | 2015 | 2014 |
|--------------------------|---------------------|---------------------|
| Cash held in investments | \$ 115,495 | \$ 19,110 |
| Certificates of deposit | 99,959 | 199,721 |
| Money market funds | 78,670 | 64,753 |
| Bonds | 50,952 | 50,321 |
| Mutual funds | <u>1,092,505</u> | <u>1,148,550</u> |
| Total investments | <u>\$ 1,437,581</u> | <u>\$ 1,482,455</u> |

Shelter Association of Washtenaw County
Notes to the Financial Statements
June 30, 2015

Investment income is composed of the following at June 30:

| | 2015 | 2014 |
|---------------------------------------|-------------|------------|
| Realized gain on sale of investments | \$ 18,547 | \$ 9,139 |
| Unrealized gain (loss) on investments | (56,276) | 106,511 |
| | \$ (37,729) | \$ 115,650 |

Investment fees for the year ended June 30, 2015 and 2014 amounted to \$7,027 and \$1,626, respectively.

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

| | 2015 | 2014 |
|------------------------------------|-----------|-----------|
| Building and building improvements | \$ 90,183 | \$ 60,483 |
| Furniture and equipment | 28,246 | 28,246 |
| Software | 18,748 | 18,748 |
| | 137,177 | 107,477 |
| Less: accumulated depreciation | (72,023) | (53,647) |
| Furniture and equipment (net) | \$ 65,154 | \$ 53,830 |

Depreciation expense was \$18,376 and \$15,305 for the years ended June 30, 2015 and 2014, respectively.

NOTE 5 – GRANTS

The following represents details of grant revenue for the fiscal year ended June 30, 2015 and 2014:

| | 2015 | 2014 |
|--|--------------|--------------|
| Washtenaw County - PATH | \$ 94,774 | \$ 83,780 |
| Washtenaw County - Emergency | - | 205,856 |
| Washtenaw County - Health Plan | 67,500 | 90,000 |
| Washtenaw County - PATH Warming Center | - | 65,000 |
| Washtenaw County - PATH Warming Center Ext. | - | 35,000 |
| Washtenaw County - General Funds | 180,804 | 79,087 |
| OCED for Health Clinic | 80,000 | 39,673 |
| OCED for Residential Services | 229,127 | - |
| OCED for Rapid Rehousing | 54,382 | - |
| OCED Ann Arbor Warming Center | 89,318 | - |
| OCED Washtenaw County Warming Center | 78,068 | - |
| Salvation Army | 232,776 | 178,896 |
| Tenant Based Rental Assistance | - | 28,425 |
| National Emergency Food and Shelter | 11,613 | 11,210 |
| Shelter Plus Care | 98,771 | 270,457 |
| United Way/Coordinated Funding | 13,338 | 94,152 |
| Michigan State Department of Housing Authority | 42,000 | 45,606 |
| Michigan Department of Community Health | 5,208 | 4,385 |
| Foundations and other organizations | 312,869 | 465,983 |
| Department of Veterans Affairs | 260,550 | 271,072 |
| | \$ 1,851,098 | \$ 1,968,582 |

Shelter Association of Washtenaw County
Notes to the Financial Statements
June 30, 2015

NOTE 6 – SPECIAL FUND-RAISING EVENTS

The Shelter Association hosts events during the year to raise funds for program services.

A summary of fund-raising events during the year ended June 30, 2015 is as follows:

| | Almost Home Golf Outing |
|---------------------------|----------------------------|
| Total contributed revenue | \$ 105,747 |
| Direct expenses | (23,948) |
| Net revenue from events | \$ 81,799 |

A summary of fund-raising events during the year ended June 30, 2014 is as follows:

| | Almost Home Golf Outing |
|---------------------------|----------------------------|
| Total contributed revenue | \$ 133,270 |
| Direct expenses | (26,316) |
| Net revenue from events | \$ 106,954 |

**NOTE 7 – OPERATING AGREEMENT – DOWNTOWN SHELTER
(ROBERT J. DELONIS CENTER)**

On December 1, 2003, the Shelter Association entered into a sub-agreement with the Washtenaw Housing Alliance (a not-for-profit organization and lead agency designated by Washtenaw County) to operate the new downtown shelter located at 312 W. Huron Street through July 31, 2017. The Shelter Association is also responsible for providing integrated, comprehensive services to the homeless. Washtenaw County is the owner of the facility (including furniture, fixtures, and equipment) and bears responsibility for maintenance and repairs. Washtenaw County does not charge rent, but does require the Shelter Association to pay the utilities. The Shelter Association

finances operations through various government and local grants and contributions.

NOTE 8 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

| | 2015 | 2014 |
|-----------------------|-----------|-----------|
| Time restrictions | \$ 93,530 | \$ 96,933 |
| Purpose restrictions: | | |
| House More Serve More | 1,556 | - |
| Total | \$ 95,086 | \$ 96,933 |

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted assets are available for the following purposes at June 30:

| | 2015 | 2014 |
|-----------------------|------------|------------|
| Individual pledges | \$ 129,858 | \$ 176,138 |
| House More Serve More | 71,894 | - |
| Total | \$ 201,752 | \$ 176,138 |

NOTE 10 – BOARD DESIGNATED NET ASSETS

The Board of Directors of the Shelter Association has voluntarily designated \$250,000 as of June 30, 2015 and 2014, respectively, whose purpose is to be held for emergency expenses.

Shelter Association of Washtenaw County
Notes to the Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLAN

The Shelter Association has a defined contribution salary deferral plan qualified under Internal Revenue Code Section 408 (p). Under the plan, the Shelter Association matches employee contributions 100% up to 3% of each participant’s wages. The contributions to the plan amount to \$18,733 and \$14,291 for the year ended June 30, 2015 and 2014, respectively.

NOTE 12 – CONTINGENCIES

The Shelter Association participates in several federally assisted grant programs. These programs are subject to financial and compliance audits by the grantor or its representatives, the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Management feels that any liability for reimbursement which could arise as the result of a grantor audit would not be material.

NOTE 13 – FAIR VALUE MEASUREMENTS

Fair value is defined as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).

Level 3: Significant unobservable inputs (including the Organization’s own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Shelter Association’s financial assets and liabilities are not indicators of the risks associated with those instruments.

Fair values of assets measured on a recurring basis at June 30, 2015 are as follows:

| | Fair Value Measurements using: |
|--------------------------------------|--|
| | Quoted prices in Active Markets for Identical Assets (Level 1) |
| | <hr/> |
| Money Market Mutual Fund | \$ 78,670 |
| Mutual Funds | 1,092,505 |
| Bonds | 50,952 |
| Certificates of Deposit - securities | 99,959 |
| | <hr/> |
| | <u>\$ 1,322,086</u> |

Shelter Association of Washtenaw County
Notes to the Financial Statements
June 30, 2015

Fair values of assets measured on a recurring basis at June 30, 2014 are as follows:

Fair Value Measurements using:

| | Quoted prices in Active Markets for Identical Assets (Level 1) |
|--------------------------------------|--|
| Money Market Mutual Fund | \$ 64,753 |
| Mutual Funds | 1,148,550 |
| Bonds | 50,321 |
| Certificates of Deposit - securities | 199,721 |
| | \$ 1,463,345 |

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 14 – DONOR AND BOARD RESTRICTED ENDOWMENTS

The Shelter Association’s endowment consists entirely of donor-restricted endowment funds and is classified based on those donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Shelter Association 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 Shelter Association 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 unrestricted net assets unless otherwise specified by the donor. In accordance with UPMIFA, the organization exercises the standard of ordinary business care and prudence when determining the amount of earnings and gains to appropriate for expenditure of to accumulate within the endowment fund. The Shelter Association considers the following factors in exercising this standard of care: (1) The long-term and short-term needs of the organization in carrying out its charitable purpose; (2) The present and anticipated financial requirements of the organization; (3) The expected total return on investments (4) Price level trends; and (5) General economic conditions.

The endowment net asset composition by type of fund as of June 30, 2015 is as follows:

| | Unrestricted | Permanently Restricted | Total |
|------------------|--------------|---------------------------|--------------|
| Donor-restricted | \$ 194,895 | \$ 1,027,238 | \$ 1,222,133 |

Shelter Association of Washtenaw County
Notes to the Financial Statements
June 30, 2015

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

| | Permanently | | Total |
|------------------------|-------------------|---------------------|---------------------|
| | Unrestricted | Restricted | |
| Beginning of year | \$ 240,326 | \$ 1,027,238 | \$ 1,267,564 |
| Transfers in | 17,971 | - | 17,971 |
| Transfers out | (17,971) | - | (17,971) |
| Distributions | (64,500) | - | (64,500) |
| Investment income | 64,066 | - | 64,066 |
| Investment fees | (7,027) | - | (7,027) |
| Realized gain (loss) | 18,547 | - | 18,547 |
| Unrealized gain (loss) | (56,517) | - | (56,517) |
| End of year | <u>\$ 194,895</u> | <u>\$ 1,027,238</u> | <u>\$ 1,222,133</u> |

The endowment net asset composition by type of fund as of June 30, 2014 is as follows:

| | Permanently | | Total |
|------------------|-------------------|---------------------|---------------------|
| | Unrestricted | Restricted | |
| Donor-restricted | <u>\$ 240,326</u> | <u>\$ 1,027,238</u> | <u>\$ 1,267,564</u> |

The changes in endowment net assets for the year ended June 30, 2014 are as follows:

| | Permanently | | Total |
|------------------------|-------------------|---------------------|---------------------|
| | Unrestricted | Restricted | |
| Beginning of year | \$ 134,083 | \$ 1,027,238 | \$ 1,161,321 |
| Distributions | (63,000) | - | (63,000) |
| Investment income | 60,168 | - | 60,168 |
| Investment fees | (6,928) | - | (6,928) |
| Realized gain (loss) | 20,910 | - | 20,910 |
| Unrealized gain (loss) | 95,093 | - | 95,093 |
| End of year | <u>\$ 240,326</u> | <u>\$ 1,027,238</u> | <u>\$ 1,267,564</u> |

Return Objectives and Risk Parameters

The Shelter Association has adopted a policy to ensure a total return (yield plus capital appreciation) necessary to preserve and enhance (in real dollar terms) the principal of the funds, and at the same time, provide a dependable source of support for current projects of the Shelter Association.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Shelter Association's return objective is to optimize total real rate of return (adjusted for inflation) as measured over a three to five year market period against appropriate weighted market indices. The asset mix of the endowment fund is to range approximately within the following limits: fixed income instruments and equity instruments not to exceed total investment balances by 20 percent to 40 percent and 60 percent to 80 percent, respectively.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Shelter Association's finance committee will review annually and recommend a spending percentage not to exceed 5% of the prior fiscal year end balances of the endowment account.