

**Shelter Association of Washtenaw County**

**Financial Statements**

**June 30, 2017 and 2016**



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## Independent Auditors' Report

To the Board of Directors  
Shelter Association of Washtenaw County  
Ann Arbor, MI

We have audited the accompanying financial statements of Shelter Association of Washtenaw County which comprise the statement of financial position as of June 30, 2017, and 2016 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, 2017, and 2016, 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 1, 2017

**Shelter Association of Washtenaw County**  
**Statement of Financial Position**  
**June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 519,764	\$ 629,999
Receivables		
Grants	175,172	161,013
Promises to give	83,233	89,026
Investments	1,418,856	1,349,791
Prepaid expenses	7,313	11,098
Total current assets	2,204,338	2,240,927
Promises to give, net of current portion	110,367	85,741
Property and equipment, net	40,945	54,133
<b>Total assets</b>	<b>\$ 2,355,650</b>	<b>\$ 2,380,801</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 10,854	\$ 3,492
Accrued payroll and withholdings	135,533	111,618
Total current liabilities	146,387	115,110
Net assets		
Unrestricted		
Undesignated	729,198	800,804
Board designated	250,000	250,000
Total unrestricted net assets	979,198	1,050,804
Temporarily restricted	202,827	187,649
Permanently restricted	1,027,238	1,027,238
Total net assets	2,209,263	2,265,691
<b>Total liabilities and net assets</b>	<b>\$ 2,355,650</b>	<b>\$ 2,380,801</b>

See Accompanying Notes to the Financial Statements

**Shelter Association of Washtenaw County**  
**Statement of Activities**  
**For the Years Ended June 30, 2017 and 2016**

	June 30, 2017			June 30, 2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	<b>2017</b>	Unrestricted	Temporarily Restricted	Permanently Restricted	2016
<b>Revenue and Support</b>								
Contributions	\$ 791,237	\$ 135,900	\$ -	<b>\$ 927,137</b>	\$ 801,501	\$ 172,250	\$ -	973,751
In-kind donations	53,310	-	-	<b>53,310</b>	30,163	-	-	30,163
Grants	1,207,631	-	-	<b>1,207,631</b>	1,473,570	-	-	1,473,570
Special event revenue (net)	109,245	-	-	<b>109,245</b>	93,816	-	-	93,816
Net realized and unrealized gain (loss)								
on investments	82,983	-	-	<b>82,983</b>	(122,690)	-	-	(122,690)
Interest income	55,848	-	-	<b>55,848</b>	100,981	-	-	100,981
Miscellaneous income	33,343	-	-	<b>33,343</b>	31,230	-	-	31,230
<b>Total revenue and support</b>	<b>2,333,597</b>	<b>135,900</b>	<b>-</b>	<b>2,469,497</b>	<b>2,408,571</b>	<b>172,250</b>	<b>-</b>	<b>2,580,821</b>
<b>Net assets released from restrictions</b>								
Satisfaction of time restrictions	120,722	(120,722)	-	<b>-</b>	186,353	(186,353)	-	-
<b>Total revenue, support and net assets released from restrictions</b>	<b>2,454,319</b>	<b>15,178</b>	<b>-</b>	<b>2,469,497</b>	<b>2,594,924</b>	<b>(14,103)</b>	<b>-</b>	<b>2,580,821</b>
<b>Expenses</b>								
Program services	2,033,103	-	-	<b>2,033,103</b>	2,146,405	-	-	2,146,405
Support services								
Management and general	266,105	-	-	<b>266,105</b>	294,306	-	-	294,306
Fundraising	226,717	-	-	<b>226,717</b>	248,199	-	-	248,199
<b>Total expenses</b>	<b>2,525,925</b>	<b>-</b>	<b>-</b>	<b>2,525,925</b>	<b>2,688,910</b>	<b>-</b>	<b>-</b>	<b>2,688,910</b>
<b>Change in net assets</b>	<b>(71,606)</b>	<b>15,178</b>	<b>-</b>	<b>(56,428)</b>	<b>(93,986)</b>	<b>(14,103)</b>	<b>-</b>	<b>(108,089)</b>
<b>Net assets - beginning of the year</b>	<b>1,050,804</b>	<b>187,649</b>	<b>1,027,238</b>	<b>2,265,691</b>	<b>1,144,790</b>	<b>201,752</b>	<b>1,027,238</b>	<b>2,373,780</b>
<b>Net assets - end of the year</b>	<b>\$ 979,198</b>	<b>\$ 202,827</b>	<b>\$ 1,027,238</b>	<b>\$ 2,209,263</b>	<b>\$ 1,050,804</b>	<b>\$ 187,649</b>	<b>\$ 1,027,238</b>	<b>\$ 2,265,691</b>

See Accompanying Notes to the Financial Statements

**Shelter Association of Washtenaw County**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2017**  
**(With Comparative Totals for June 30, 2016)**

	Program Services	Management and General	Fundraising	<b>2017</b>	2016
Salaries and wages	\$ 1,314,631	\$ 127,938	\$ 158,639	<b>\$ 1,601,208</b>	\$ 1,636,239
Employee benefits	164,218	36,342	15,159	<b>215,719</b>	218,403
Payroll taxes	<u>122,467</u>	<u>10,624</u>	<u>14,460</u>	<b><u>147,551</u></b>	<u>153,916</u>
 Total payroll expenses	 <u>1,601,316</u>	 <u>174,904</u>	 <u>188,258</u>	 <b><u>1,964,478</u></b>	 <u>2,008,558</u>
 Specific assistance to individuals	 48,867	 -	 -	 <b>48,867</b>	 187,869
Supplies	109,229	884	884	<b>110,997</b>	100,157
Contracted services	71,768	37,541	-	<b>109,309</b>	86,840
Pass-through expense	45,000	-	-	<b>45,000</b>	48,687
Insurance	28,883	7,359	2,137	<b>38,379</b>	42,874
Equipment repair and maintenance	9,062	7,294	2,665	<b>19,021</b>	18,037
Occupancy - utilities	71,014	3,891	-	<b>74,905</b>	71,792
Occupancy - repair and maintenance	8,795	662	-	<b>9,457</b>	7,095
Postage and shipping	1,689	346	-	<b>2,035</b>	2,689
Printing and publications	970	969	18,609	<b>20,548</b>	23,816
Professional fees	-	17,300	-	<b>17,300</b>	17,300
Telephone	9,572	1,384	577	<b>11,533</b>	11,198
Travel	4,680	887	-	<b>5,567</b>	8,761
Bank charges	-	825	9,484	<b>10,309</b>	10,403
Investment expense - endowment	-	6,540	-	<b>6,540</b>	6,536
Equipment purchases/rental	4,455	913	-	<b>5,368</b>	6,928
Conferences and meetings	1,771	3,544	3,544	<b>8,859</b>	6,274
Other	3,503	203	559	<b>4,265</b>	6,075
Depreciation	<u>12,529</u>	<u>659</u>	<u>-</u>	<b><u>13,188</u></b>	<u>17,021</u>
 Total expenses	 <u><u>\$ 2,033,103</u></u>	 <u><u>\$ 266,105</u></u>	 <u><u>\$ 226,717</u></u>	 <b><u><u>\$ 2,525,925</u></u></b>	 <u><u>\$ 2,688,910</u></u>

See Accompanying Notes to the Financial Statements

**Shelter Association of Washtenaw County**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2016**

	Program Services	Management and General	Fundraising	<b>2016</b>
Salaries and wages	\$ 1,288,707	\$ 171,053	\$ 176,479	<b>\$ 1,636,239</b>
Employee benefits	161,311	38,705	18,387	<b>218,403</b>
Payroll taxes	<u>117,805</u>	<u>25,100</u>	<u>11,011</u>	<b><u>153,916</u></b>
 Total payroll expenses	 <u>1,567,823</u>	 <u>234,858</u>	 <u>205,877</u>	 <b><u>2,008,558</u></b>
 Specific assistance to individuals	 187,869	 -	 -	 <b>187,869</b>
Supplies	98,093	1,032	1,032	<b>100,157</b>
Contracted services	84,765	2,075	-	<b>86,840</b>
Pass-through expense	48,687	-	-	<b>48,687</b>
Insurance	32,059	10,815	-	<b>42,874</b>
Equipment repair and maintenance	8,139	7,361	2,537	<b>18,037</b>
Occupancy - utilities	66,829	4,963	-	<b>71,792</b>
Occupancy - repair and maintenance	7,095	-	-	<b>7,095</b>
Postage and shipping	162	269	2,258	<b>2,689</b>
Printing and publications	-	2,232	21,584	<b>23,816</b>
Professional fees	-	17,300	-	<b>17,300</b>
Telephone	8,958	1,120	1,120	<b>11,198</b>
Travel	7,590	1,171	-	<b>8,761</b>
Bank charges	-	4,577	5,826	<b>10,403</b>
Investment expense - endowment	-	-	6,536	<b>6,536</b>
Equipment purchases/rental	5,196	1,732	-	<b>6,928</b>
Conferences and meetings	3,764	1,255	1,255	<b>6,274</b>
Other	3,206	2,695	174	<b>6,075</b>
Depreciation	<u>16,170</u>	<u>851</u>	<u>-</u>	<b><u>17,021</u></b>
 Total expenses	 <u><u>\$ 2,146,405</u></u>	 <u><u>\$ 294,306</u></u>	 <u><u>\$ 248,199</u></u>	 <b><u><u>\$ 2,688,910</u></u></b>

See Accompanying Notes to the Financial Statements



**Shelter Association of Washtenaw County**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (56,428)	\$ (108,089)
Items not requiring cash		
Depreciation	13,188	17,021
Unrealized and realized (gains) losses on investments	(122,392)	20,054
Donated stock	(21,400)	(24,026)
Change in operating assets and liabilities		
Receivables	(32,992)	182,039
Prepaid expenses	3,785	5,816
Accounts payable	7,362	2,814
Accrued payroll and withholdings	<u>23,915</u>	<u>7,697</u>
Net cash provided (used) by operating activities	<u>(184,962)</u>	<u>103,326</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(335,665)	(251,335)
Proceeds from sale of investments	410,392	343,097
Acquisition of property and equipment	<u>-</u>	<u>(6,000)</u>
Net cash provided by investing activities	<u>74,727</u>	<u>85,762</u>
Change in cash and cash equivalents	(110,235)	189,088
Cash and cash equivalents, beginning of the year	<u>629,999</u>	<u>440,911</u>
<b>Cash and cash equivalents, end of the year</b>	<u><u>\$ 519,764</u></u>	<u><u>\$ 629,999</u></u>

See Accompanying Notes to the Financial Statements

**Shelter Association of Washtenaw County**  
**Notes to the Financial Statements**  
**June 30, 2017 and 2016**

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**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. 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.

**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 \$53,310 and \$30,163 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 that met the criteria to be recorded.

**Shelter Association of Washtenaw County**  
**Notes to the Financial Statements**  
**June 30, 2017 and 2016**

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**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 \$519,764. The actual bank balance amounted to \$525,677. Of these balances \$250,000 was insured by the FDIC and \$275,677 was uninsured. Additionally certificates of deposit included in the investments of \$209,795 that are also insured by the FDIC.

**Receivables**

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, 2017 and 2016.

**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. Any donated investments received during the year are reflected as contributions at their market values at date of receipt.

**Prepaid Expenses**

Prepaid expenses are amounts paid in advance for future expenses. All amounts considered prepaid are expected to be utilized within the next year.

**Property 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.

**In-Kind Donations**

In-kind donations represent items donated for the use of clients and fundraising events. Amounts are estimated at their fair market value. There are no donated services that meet revenue recognition principles.

**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.

**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.

**Shelter Association of Washtenaw County**  
**Notes to the Financial Statements**  
**June 30, 2017 and 2016**

**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 1, 2017, 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 30,	
2018	\$ 83,233
2019	65,367
2020	25,000
2021	<u>20,000</u>
	<u>\$ 193,600</u>

Items classified as current on the statement of activities are expected to be collected in one year.

All recognized promises to give as of June 30, 2017 are unconditional. No allowance was deemed necessary for promises to give as they were deemed fully collectible by management.

Promises to give activity for 2017 is detailed as follows:

Balance beginning of the year	\$ 174,767
Add: new pledges	115,000
Less: collections	<u>(96,167)</u>
Balance end of the year	<u>\$ 193,600</u>

**Note 3 – Investments**

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

	2017	2016
Cash held in investments	\$ 9,188	\$ 27,405
Certificates of deposit	209,795	199,811
Money market funds	129,710	127,889
Bonds	38,032	37,058
Mutual funds	<u>1,032,131</u>	<u>957,628</u>
Total investments	<u>\$ 1,418,856</u>	<u>\$ 1,349,791</u>

Investment income is composed of the following at June 30:

	2017	2016
Realized gain (loss) on sale of investments	\$ 6,902	\$ (8,191)
Unrealized gain (loss) on investments	<u>76,081</u>	<u>(114,499)</u>
	<u>\$ 82,983</u>	<u>\$ (122,690)</u>

Investment fees for the year ended June 30, 2017 and 2016 amounted to \$6,540 and \$6,536, respectively.

**Shelter Association of Washtenaw County**  
**Notes to the Financial Statements**  
**June 30, 2017 and 2016**

**Note 4 – Property, Plant and Equipment**

	<u>2017</u>	<u>2016</u>
Building and building improvements	\$ 90,183	\$ 90,183
Furniture and equipment	34,246	34,246
Software	<u>18,748</u>	<u>18,748</u>
	143,177	143,177
Less: accumulated depreciation	<u>(102,232)</u>	<u>(89,044)</u>
Furniture and equipment (net)	<u>\$ 40,945</u>	<u>\$ 54,133</u>

Depreciation expense was \$13,188 and \$17,021 for the years ended June 30, 2017 and 2016, respectively.

**Note 5 – Grants**

The following represents details of grant revenue for the fiscal year ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Washtenaw County - PATH	\$ 99,273	\$ 86,191
Washtenaw County - Health Plan	10,000	20,000
Washtenaw County - PATH Warming Center	83,540	66,270
Washtenaw County - General Funds	200,000	216,549
OCED for Health Clinic	45,000	80,000
OCED for Residential Services	160,000	229,127
OCED for Rapid Rehousing	-	104,261
OCED Ann Arbor Warming Center	90,000	71,770
OCED for SAWC Clinic	50,000	-
Salvation Army	269,484	272,328
Shelter Plus Care	-	26,342
FEMA	6,218	-
United Way/Coordinated Funding	-	13,338
Michigan State Department of Housing Authority	57,556	42,000
Department of Veterans Affairs	<u>136,560</u>	<u>245,394</u>
	<u>\$ 1,207,631</u>	<u>\$ 1,473,570</u>

**Shelter Association of Washtenaw County**  
**Notes to the Financial Statements**  
**June 30, 2017 and 2016**

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**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, 2017 is as follows:

	<u>Almost Home Golf Outing</u>	<u>Comedy Event</u>
Total contributed revenue	\$ 136,498	\$ 4,355
Direct expenses	<u>(31,243)</u>	<u>(365)</u>
Net revenue from events	<u>\$ 105,255</u>	<u>\$ 3,990</u>

A summary of fund-raising events during the year ended June 30, 2016 is as follows:

	<u>Almost Home Golf Outing</u>	<u>Comedy Event</u>
Total contributed revenue	\$ 114,295	\$ 5,973
Direct expenses	<u>(24,664)</u>	<u>(1,788)</u>
Net revenue from events	<u>\$ 89,631</u>	<u>\$ 4,185</u>

**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.

**Shelter Association of Washtenaw County**  
**Notes to the Financial Statements**  
**June 30, 2017 and 2016**

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**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:

	<u>2017</u>	<u>2016</u>
Time restrictions	\$ 96,167	\$ 93,091
Purpose restrictions:		
House More Serve More	<u>24,555</u>	<u>93,262</u>
Total	<u>\$ 120,722</u>	<u>\$ 186,353</u>

**Note 9 – Temporarily Restricted Net Assets**

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

	<u>2017</u>	<u>2016</u>
Individual pledges	\$ 193,600	\$ 174,767
House More Serve More	<u>9,227</u>	<u>12,882</u>
Total	<u>\$ 202,827</u>	<u>\$ 187,649</u>

**Note 10 – Board Designated Net Assets**

The Board of Directors of the Shelter Association has voluntarily designated \$250,000 as of June 30, 2017 and 2016, respectively, whose purpose is to be held for emergency expenses.

**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 \$24,047 and \$21,791 for the year ended June 30, 2017 and 2016, 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.

**Shelter Association of Washtenaw County**  
**Notes to the Financial Statements**  
**June 30, 2017 and 2016**

**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, 2017 are as follows:

	Quoted prices in Active Markets for Identical Assets (Level 1)
Cash and money market funds	\$ 138,898
Mutual funds	1,032,131
Bonds	38,032
Certificates of deposit	209,795
	\$ 1,418,856

Fair values of assets measured on a recurring basis at June 30, 2016 are as follows:

	Quoted prices in Active Markets for Identical Assets (Level 1)
Cash and money market funds	\$ 155,294
Mutual funds	957,628
Bonds	37,058
Certificates of deposit	199,811
	\$ 1,349,791

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



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**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, 2017 is as follows:

	Unrestricted	Permanently Restricted	Total
Endowment	<u>\$ 173,947</u>	<u>\$ 1,027,238</u>	<u>\$ 1,201,185</u>

The changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Unrestricted	Permanently Restricted	Total
Beginning of year	\$ 106,529	\$ 1,027,238	\$ 1,133,767
Transfers in	21,400	-	21,400
Transfers out	(21,514)	-	(21,514)
Distributions	(60,000)	-	(60,000)
Investment income	51,189	-	51,189
Investment fees	(6,540)	-	(6,540)
Realized gain	6,788	-	6,788
Unrealized gain	76,095	-	76,095
End of year	<u>\$ 173,947</u>	<u>\$ 1,027,238</u>	<u>\$ 1,201,185</u>

The endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	Unrestricted	Permanently Restricted	Total
Endowment	<u>\$ 106,529</u>	<u>\$ 1,027,238</u>	<u>\$ 1,133,767</u>

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The changes in endowment net assets for the year ended June 30, 2016 are as follows:

	Unrestricted	Permanently Restricted	Total
Beginning of year	\$ 194,895	\$ 1,027,238	\$ 1,222,133
Transfers in	24,026	-	24,026
Transfers out	(23,961)	-	(23,961)
Distributions	(59,000)	-	(59,000)
Investment income	100,430	-	100,430
Investment fees	(6,536)	-	(6,536)
Realized loss	(8,191)	-	(8,191)
Unrealized loss	(115,134)	-	(115,134)
End of year	<u>\$ 106,529</u>	<u>\$ 1,027,238</u>	<u>\$ 1,133,767</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.