

Shelter Association of Washtenaw County

**Annual Financial Statements
and Auditors' Report**

June 30, 2012 and 2011

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Shelter Association of Washtenaw County (a non-profit corporation) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Shelter Association of Washtenaw County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2012 and 2011 financial statements referred to above present fairly, in all material respects, the financial position of Shelter Association of Washtenaw County, as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
September 11, 2012

Shelter Association of Washtenaw County
Statement of Financial Position
June 30, 2012 and 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 484,748	\$ 200,230
Receivables		
Other	139,229	170,065
United Way Allocation	-	74,763
Promises to give	90,232	81,134
Investments	1,282,879	1,432,182
Prepaid expenses	16,694	46,907
Total current assets	<u>2,013,782</u>	<u>2,005,281</u>
Promises to give, net of current portion	<u>9,100</u>	<u>84,542</u>
Property and equipment	107,477	107,477
Property and equipment	(22,894)	(7,446)
Less accumulated depreciation	<u>84,583</u>	<u>100,031</u>
Net property and equipment	<u>2,107,465</u>	<u>\$ 2,189,854</u>
Total assets		
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 2,140	\$ 5,391
Deferred revenue	28,730	25,000
Accrued payroll and withholdings	66,497	78,197
Total current liabilities	<u>97,367</u>	<u>108,588</u>
Net assets		
Unrestricted		
Undesignated	633,528	563,589
Board designated	250,000	250,000
Total unrestricted net assets	<u>883,528</u>	<u>813,589</u>
Temporarily restricted	99,332	240,439
Permanently restricted	<u>1,027,238</u>	<u>1,027,238</u>
Total net assets	<u>2,010,098</u>	<u>2,081,266</u>
Total liabilities and net assets	<u>\$ 2,107,465</u>	<u>\$ 2,189,854</u>

Shelter Association of Washtenaw County
Statement of Activities
For the Years Ended June 30, 2012 and 2011

	June 30, 2012				June 30, 2011				
	Temporarily Restricted		Permanently Restricted		Temporarily Restricted		Permanently Restricted		
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	
Revenue and Support									
Contributions	\$ 426,407	\$ -	\$ -	\$ 426,407	\$ 596,302	\$ 237,712	\$ -	\$ 834,014	
In-kind donations	79,920	-	-	79,920	52,259	-	-	52,259	
Grants	1,930,161	-	-	1,930,161	2,446,495	5,600	-	2,452,095	
United Way Allocation	6,000	-	-	6,000	8,545	74,763	-	83,308	
Special event revenue (net)	90,463	-	-	90,463	67,251	-	-	67,251	
Net realized and unrealized gains (losses) on investments	(41,704)	-	-	(41,704)	144,159	-	-	144,159	
Interest income	26,203	-	-	26,203	17,972	-	-	17,972	
Miscellaneous income	36,080	-	-	36,080	41,559	-	-	41,559	
Total revenue and support	2,553,530	-	-	2,553,530	3,374,542	318,075	-	3,692,617	
Net assets released from restrictions	141,107	(141,107)	-	-	175,770	(175,770)	-	-	
Satisfaction of usage restrictions	2,694,637	(141,107)	-	2,553,530	3,550,312	142,305	-	3,692,617	
Total revenue, support and net assets released from restrictions	2,088,879	-	-	2,088,879	2,782,426	-	-	2,782,426	
Expenses									
Program services	302,071	-	-	302,071	356,097	-	-	356,097	
Support services	233,748	-	-	233,748	248,974	-	-	248,974	
Management and general	2,624,698	-	-	2,624,698	3,387,497	-	-	3,387,497	
Fundraising	69,939	(141,107)	-	(71,168)	162,815	142,305	-	305,120	
Total expenses	813,589	240,439	1,027,238	2,081,266	650,774	98,134	1,027,238	1,776,146	
Change in net assets	\$ 883,528	\$ 99,332	\$ 1,027,238	\$ 2,010,098	\$ 813,589	\$ 240,439	\$ 1,027,238	\$ 2,081,266	
Net assets - beginning of the year									
Net assets - end of the year									

Red - 31%
BR - 23%

Shelter Association of Washtenaw County
Statement of Functional Expenses
For the Year Ended June 30, 2012
(With comparative totals for June 30, 2011)

	Program Services	Management and General	Fundraising	2012	2011
Salaries and wages	\$ 1,106,566	\$ 189,941	\$ 175,563	\$ 1,472,070	\$ 1,531,956
Employee benefits	116,820	32,154	12,472	161,446	191,534
Payroll taxes	121,822	24,811	10,831	157,464	143,991
Total payroll expenses	1,345,208	246,906	198,866	1,790,980	1,867,481
Conferences and meetings	532	1,065	1,065	2,662	5,159
Contracted services	57,981	2,393	-	60,374	95,165
Equipment repair and maintenance	3,405	3,106	1,024	7,535	2,020
Insurance	25,212	10,391	-	35,603	44,663
Occupancy - repair and maintenance	3,721	-	-	3,721	3,763
Occupancy - utilities	75,213	6,219	-	81,432	61,966
Postage and shipping	333	554	4,657	5,544	7,825
Printing and publications	-	1,675	15,076	16,751	20,905
Professional fees	-	20,779	-	20,779	17,500
Specific assistance to individuals	360,266	-	-	360,266	1,014,135
Supplies	174,498	1,115	1,115	176,728	153,529
Telephone	11,394	1,424	1,424	14,242	16,932
Travel	3,987	1,011	-	4,998	9,853
Other	12,453	4,661	10,521	27,635	60,112
Depreciation	14,676	772	-	15,448	6,489
Total expenses	\$ 2,088,879	\$ 302,071	\$ 233,748	\$ 2,624,698	\$ 3,387,497

80%

11.5% 9%

Shelter Association of Washtenaw County
Statement of Functional Expenses
For the Year Ended June 30, 2011

	Program Services	Management and General	Fundraising	2011
Salaries and wages	\$ 1,152,232	\$ 204,826	\$ 174,898	\$ 1,531,956
Employee benefits	141,463	38,904	11,167	191,534
Payroll taxes	110,368	23,375	10,248	143,991
Total payroll expenses	1,404,063	267,105	196,313	1,867,481
Conferences and meetings	1,032	1,857	2,270	5,159
Contracted services	92,225	2,940	-	95,165
Equipment repair and maintenance	991	1,029	-	2,020
Insurance	28,379	16,284	-	44,663
Occupancy - repair and maintenance	3,763	-	-	3,763
Occupancy - utilities	57,629	4,337	-	61,966
Postage and shipping	469	783	6,573	7,825
Printing and publications	-	2,090	18,815	20,905
Professional fees	-	17,500	-	17,500
Specific assistance to individuals	1,014,135	-	-	1,014,135
Supplies	132,363	11,575	9,571	153,529
Telephone	13,546	1,693	1,693	16,932
Travel	6,434	3,419	-	9,853
Other	21,212	25,161	13,739	60,112
Depreciation	6,165	324	-	6,489
Total expenses	\$ 2,782,426	\$ 356,097	\$ 248,974	\$ 3,387,497

82% 10.5% 7%

BECAUSE OF HPRP

Shelter Association of Washtenaw County
Statement of Cash Flows
For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (71,168)	\$ 305,120
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation	15,448	6,489
Net realized and unrealized (gains) losses on investments	41,704	(144,159)
Loss on sale of asset	-	780
Increase (decrease) in:		
Receivables	171,943	(234,859)
Prepaid expenses	30,213	31,166
Accounts payable	(3,251)	(16,189)
Accrued liabilities	(11,700)	34,082
Deferred revenue	3,730	(32,426)
Net cash provided (used) by operations	176,919	(49,996)
Cash flows from investing activities:		
Purchase of investments	(163,034)	(570,747)
Proceeds from sale of investments	270,633	630,504
Additions to property and equipment	-	(98,872)
Net cash provided (used) by investing activities	107,599	(39,115)
Net change in cash and cash equivalents	284,518	(89,111)
Cash and cash equivalents, beginning of the year	200,230	289,341
Cash and cash equivalents, end of the year	\$ 484,748	\$ 200,230

Shelter Association of Washtenaw County
Notes to Financial Statements
June 30, 2012

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 Financial Statements
June 30, 2012

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 \$79,920 and \$52,259 for the years ended June 30, 2012 and 2011, 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, 2012 and 2011 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 \$484,748. The actual bank balance amounted to \$530,720. Of these balances \$316,981 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, no allowance was deemed necessary as of June 30, 2012 and 2011.

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 estimates the useful life of its assets between 3 and 30 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 Financial Statements
June 30, 2012

Reclassification

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

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. The statute of limitations is generally three years for federal returns and four years for Michigan returns.

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 the date of the Independent Auditors' Report, 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:

	2012		2011
	\$ -		\$ 81,134
	90,232		80,380
	9,100		11,600
	99,332		173,114
Less discount to net present value	-		(7,438)
	\$ 99,332		\$ 165,676

All recognized promises to give as of June 30, 2012 are unconditional. No allowance was deemed necessary for promises to give as they were deemed fully collectible by management.

Promises to give activity for 2012 is detailed as follows:

Balance beginning of the year		\$ 165,676
Less collections		(73,782)
Add new pledges		-
Change in discount to fair value of pledges		7,438
Balance end of the year		\$ 99,332

Shelter Association of Washtenaw County
Notes to Financial Statements
June 30, 2012

NOTE 3 – INVESTMENTS

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

	Fair Value	
	2012	2011
Cash	\$ 27,782	\$ 4,399
Money market funds	62,101	134,788
Certificates of deposit	188,231	211,974
Mutual funds	<u>1,004,765</u>	<u>1,081,021</u>
Total investments	<u>\$ 1,282,879</u>	<u>\$ 1,432,182</u>

Investment income is composed of the following at June 30:

	2012	2011
Dividends and interest	\$ 26,203	\$ 17,972
Realized gain on sale of investments	18,088	7,636
Unrealized gain (loss) on investments	<u>(59,792)</u>	<u>136,523</u>
	<u>\$ (15,501)</u>	<u>\$ 162,131</u>

Investment fees for the year ended June 30, 2012 and 2011 amounted to \$6,015 and \$6,223, respectively.

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

	2012	2011
Building and building improvements	\$ 60,483	\$ 60,483
Furniture and equipment	28,246	28,246
Software	<u>18,748</u>	<u>18,748</u>
	107,477	107,477
Less: accumulated depreciation	<u>(22,894)</u>	<u>(7,446)</u>
Furniture and equipment (net)	<u>\$ 84,583</u>	<u>\$ 100,031</u>

Depreciation expense was \$15,448 and \$6,489 for the years ended June 30, 2012 and 2011, respectively.

Shelter Association of Washtenaw County
Notes to Financial Statements
June 30, 2012

NOTE 5 – GRANTS

The following represents details of grant revenue for the fiscal year ended June 30, 2012 and 2011:

	2012	2011
Washtenaw County - PATH	\$ 91,745	\$ 105,525
Washtenaw County - Emergency	207,551	160,000
Washtenaw County - Health Plan	92,500	95,000
Washtenaw County - PATH warming center	45,000	-
OCD for health clinic	40,000	-
OCD warming center	25,078	-
Salvation Army	181,428	241,572
Emergency Shelter Grant (ESG) Program	-	38,866
Homelessness Prevention and Rapid Re-Housing	135,793	757,295
Tenant Based Rental Assistance	21,934	109,141
National Emergency Food and Shelter	14,273	11,608
Shelter Plus Care	267,751	279,643
City Human Services	-	241,815
United Way	28,071	-
Ann Arbor DDA	-	218,000
Michigan State Department of Housing Authority	23,221	11,777
Corporation for Supportive Housing	-	5,600
Michigan Department of Community Health	4,166	4,310
Foundations and other organizations	586,106	132,455
Department of Veterans Affairs	53,985	-
Washtenaw County Children's Health Services	-	31,295
Washtenaw County Residential program	111,559	-
Michigan Coalition Against Homelessness	-	8,193
	<u>\$ 1,930,161</u>	<u>\$ 2,452,095</u>

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 activities during the year ended June 30, 2012 is as follows:

Total contributed revenue	Almost Home
Direct expenses	Golf Outing
	\$ 118,318
	<u>(27,855)</u>
Net revenue from events	\$ 90,463

A summary of fund-raising activities during the year ended June 30, 2011 is as follows:

Total contributed revenue	Almost Home
Direct expenses	Golf Outing
	\$ 93,948
	<u>(26,697)</u>
Net revenue from events	\$ 67,251

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

Shelter Association of Washtenaw County
Notes to Financial Statements
June 30, 2012

(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:

	2012	2011
Time restrictions	\$ 67,344	\$ 72,036
Purpose restrictions:		
United Way	73,763	52,134
Housing deposit	-	5,600
Bethlehem United Church of Christ	-	46,000
Total	<u>\$ 141,107</u>	<u>\$ 175,770</u>

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

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

	2012	2011
Time restrictions	\$ 99,332	\$ 165,676
Program activities	-	74,763
	<u>\$ 99,332</u>	<u>\$ 240,439</u>

NOTE 10 – BOARD DESIGNATED NET ASSETS

The Board of Directors of the Shelter Association has voluntarily designated \$250,000 as of June 30, 2012 and 2011, 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 \$15,179 and \$13,879 for the year ended June 30, 2012 and 2011, 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.

Shelter Association of Washtenaw County Notes to Financial Statements June 30, 2012

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, 2012 are as follows:

	Balance at June 30, 2012	Fair Value Measurements using:		Significant Unobservable Inputs (Level 3)
		Quoted prices in Active Markets for Identical Assets (Level 1)	Unobservable Inputs (Level 3)	
Promises to give	\$ 99,332	-	-	\$ 99,332
Money Market Mutual Fund	62,101	62,101	-	-
Mutual Funds	1,004,765	1,004,765	-	-
Certificates of Deposit - securities	188,231	188,231	-	-
	<u>\$ 1,354,429</u>	<u>\$ 1,255,097</u>	<u>\$ 99,332</u>	<u>\$ 99,332</u>

Fair values of assets measured on a recurring basis at June 30, 2011 are as follows:

	Balance at June 30, 2011	Fair Value Measurements using:		Significant Unobservable Inputs (Level 3)
		Quoted prices in Active Markets for Identical Assets (Level 1)	Unobservable Inputs (Level 3)	
Promises to give	\$ 165,676	-	-	\$ 165,676
Money Market Mutual Fund	134,788	134,788	-	-
Mutual Funds	1,081,021	1,081,021	-	-
Certificates of Deposit - securities	211,974	211,974	-	-
	<u>\$ 1,593,459</u>	<u>\$ 1,427,783</u>	<u>\$ 165,676</u>	<u>\$ 165,676</u>

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

The fair value of promises to give is estimated at the present value of future cash flows. The promises to give are scheduled to be collected as described in note 2.

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

Shelter Association of Washtenaw County
Notes to Financial Statements
June 30, 2012

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, 2012 is as follows:

	Unrestricted	Permanently Restricted	Total
Donor-restricted	<u>\$ 41,779</u>	<u>\$ 1,027,238</u>	<u>\$ 1,069,017</u>

Changes in endowment net assets for the year ended June 30, 2012 are as follows:

	Unrestricted	Permanently Restricted	Total
Beginning of year	\$ 185,267	\$ 1,027,238	\$ 1,212,505
Distributions	(120,000)	-	(120,000)
Investment income	24,499	-	24,499
Investment fees	(6,015)	-	(6,015)
Realized gain (loss)	18,088	-	18,088
Unrealized gain (loss)	(60,060)	-	(60,060)
End of year	<u>\$ 41,779</u>	<u>\$ 1,027,238</u>	<u>\$ 1,069,017</u>

The endowment net asset composition by type of fund as of June 30, 2011 is as follows:

	Unrestricted	Permanently Restricted	Total
Donor-restricted	<u>\$ 185,267</u>	<u>\$ 1,027,238</u>	<u>\$ 1,212,505</u>

The changes in endowment net assets for the year ended June 30, 2011 are as follows:

	Unrestricted	Permanently Restricted	Total
Beginning of year	\$ 28,846	\$ 1,027,238	\$ 1,056,084
Contributions	59,056	-	59,056
Distributions	(20,000)	-	(20,000)
Investment income	15,330	-	15,330
Unrealized gain (loss)	102,035	-	102,035
End of year	<u>\$ 185,267</u>	<u>\$ 1,027,238</u>	<u>\$ 1,212,505</u>

Shelter Association of Washtenaw County
Notes to Financial Statements
June 30, 2012

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.