

WASHINGTON WOMEN IN NEED AND AFFILIATE
(A Washington Nonprofit Corporation)

Consolidated Financial Statements
for the Year Ended June 30, 2011
(With Comparative Totals for 2010)
and Independent Auditors' Report

WASHINGTON WOMEN IN NEED AND AFFILIATE
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For the Year Ended June 30, 2011

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WATSON & McDONELL, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Washington Women In Need and Affiliate
Bellevue, Washington

We have audited the accompanying consolidated statement of financial position of Washington Women In Need and Affiliate as of June 30, 2011, and the related consolidated statements of activity and change in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Washington Women In Need and Affiliate's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements, and, in our report dated January 13, 2011, we expressed an unqualified opinion on those financial statements.

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 audit provides a reasonable basis for our opinion.

In our opinion, the 2011 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Washington Women In Need and Affiliate as of June 30, 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.

Watson & McDowell, PLLC

November 10, 2011

WASHINGTON WOMEN IN NEED AND AFFILIATE
Consolidated Statement of Financial Position
June 30, 2011
(With Comparative Totals for 2010)

ASSETS		
	2011	2010
Current assets:		
Cash and cash equivalents	\$ 897,037	\$ 910,394
Pledges receivable, current portion	133,841	265,544
Prepaid expenses and other receivables	2,877	1,303
	1,033,755	1,177,241
Other assets:		
Pledges receivable, noncurrent, net	125,517	97,408
Land	350,000	404,200
Board designated reserves	1,432,991	1,819,441
Board designated investments - endowment	785,640	656,518
	2,694,148	2,977,567
Fixed assets:		
Leasehold improvements	37,034	21,136
Furniture	21,316	21,316
Computers and equipment	31,864	23,920
	90,214	66,372
Less: accumulated depreciation and amortization	(64,826)	(59,518)
Total fixed assets	25,388	6,854
	\$ 3,753,291	\$ 4,161,662

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 47,954	\$ 69,020
Net assets:		
Unrestricted		
Undesignated	489,945	756,445
Designated by Board for reserves	1,432,991	1,819,441
Designated by Board for endowment	785,640	656,518
	2,708,576	3,232,404
Temporarily restricted	996,761	860,238
	3,705,337	4,092,642
	\$ 3,753,291	\$ 4,161,662

The accompanying notes should be read with these financial statements.

WASHINGTON WOMEN IN NEED AND AFFILIATE
Consolidated Statement of Activity and Change in Net Assets
For the Year Ended June 30, 2011
(With Comparative Totals for 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
Operating activities				
Revenues, gains and support				
Special events revenue		\$ 362,801	\$ 362,801	\$ 325,835
Less direct costs	\$ (57,760)		(57,760)	(58,358)
	(57,760)	362,801	305,041	267,477
Founder's donations				400,000
Major gifts	100,000	43,561	143,561	105,900
Foundations and corporations		194,500	194,500	133,500
Donations		68,003	68,003	98,699
Donations - in-kind	4,289		4,289	38,389
Investment income (loss)	146,035		146,035	105,090
Other income				12,093
Net assets released from restriction	532,342	(532,342)		
	<u>724,906</u>	<u>136,523</u>	<u>861,429</u>	<u>1,161,148</u>
Expenses				
Program services				
Direct client expense	743,924		743,924	753,813
Other program expenses	171,316		171,316	191,399
	<u>915,240</u>		<u>915,240</u>	<u>945,212</u>
Support services				
Management and general	91,263		91,263	92,699
Fundraising	181,689		181,689	211,321
	<u>272,952</u>		<u>272,952</u>	<u>304,020</u>
	<u>1,188,192</u>		<u>1,188,192</u>	<u>1,249,232</u>
Change in operating net assets	<u>(463,286)</u>	<u>136,523</u>	<u>(326,763)</u>	<u>(88,084)</u>
Non-operating activities				
Property taxes and maintenance	(6,342)		(6,342)	(9,933)
Impairment loss	(54,200)		(54,200)	(62,800)
Change in non-operating net assets	<u>(60,542)</u>		<u>(60,542)</u>	<u>(72,733)</u>
Total change in net assets	(523,828)	136,523	(387,305)	(160,817)
Net assets, beginning of year	<u>3,232,404</u>	<u>860,238</u>	<u>4,092,642</u>	<u>4,253,459</u>
Net assets, end of year	<u>\$ 2,708,576</u>	<u>\$ 996,761</u>	<u>\$ 3,705,337</u>	<u>\$ 4,092,642</u>

The accompanying notes should be read with these financial statements.

WASHINGTON WOMEN IN NEED AND AFFILIATE
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2011
(With Comparative Totals for 2010)

	Program Services	Management and General	Fund- raising	Total 2011	Total 2010
Direct client expense	\$ 743,924			\$ 743,924	\$ 753,813
Payroll and related expenses	109,012	\$ 52,326	\$ 114,413	275,751	301,539
Professional fees	12,599	18,478	18,839	49,916	57,090
Office, supplies and postage	5,484	2,711	5,174	13,369	13,847
Technology and equipment	6,111	3,189	6,489	15,789	17,050
Insurance	2,124	785	2,124	5,033	5,060
Fees and taxes	848	867	6,995	8,710	8,941
Printing and design	58		6,502	6,560	8,206
Facility expense	28,597	9,069	15,357	53,023	52,250
Other expense	3,258	2,309	5,242	10,809	6,297
Depreciation & amortization	3,225	1,529	554	5,308	25,139
Total expenses	<u>\$ 915,240</u>	<u>\$ 91,263</u>	<u>\$ 181,689</u>	<u>\$ 1,188,192</u>	<u>\$ 1,249,232</u>

The accompanying notes should be read with these financial statements

WASHINGTON WOMEN IN NEED AND AFFILIATE
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2011
(With Comparative Totals for 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (387,305)	\$ (160,817)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	5,308	25,139
Impairment loss	54,200	62,800
Realized and unrealized (gain) loss on investments	(119,474)	(58,942)
Changes in operating assets and liabilities:		
Pledges receivable	103,594	4,957
Prepaid expenses and other receivables	(1,574)	6,000
Accounts payable and accrued expenses	<u>(21,066)</u>	<u>25,299</u>
Net cash provided (used) by operating activities	<u>(366,317)</u>	<u>(95,564)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to board designated reserves	(13,550)	(13,218)
Withdrawal from board designated reserves	400,000	
Leasehold improvements	(15,898)	(21,136)
Purchase of fixed assets	(7,944)	
Reinvested income - endowment	<u>(9,648)</u>	<u>(9,219)</u>
Net cash used by investing activities	<u>352,960</u>	<u>(43,573)</u>
Net increase (decrease) in cash	(13,357)	(139,137)
Cash and cash equivalents, beginning of year	<u>910,394</u>	<u>1,049,531</u>
Cash and cash equivalents, end of year	<u>\$ 897,037</u>	<u>\$ 910,394</u>

The accompanying notes should be read with these financial statements

WASHINGTON WOMEN IN NEED AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2011

NOTE 1 - NATURE OF THE ORGANIZATION

Washington Women In Need (WWIN) is a Washington nonprofit corporation, founded in 1992, dedicated to improving the quality of women's lives by providing financial assistance to low-income women in Washington for health care and educational needs.

WWIN is the sole member of ITP Granite Falls LLC, a limited liability company (the LLC). The LLC was formed to receive a one-time donation of land and cash.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These financial statements include the activity of WWIN and ITP Granite Falls LLC (together the Organization). Accounts between entities are eliminated in consolidation.

Financial statement presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified 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 may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as unrestricted income. At June 30, 2011 and 2010, temporarily restricted net assets consisted of the following:

	<u>2011</u>	<u>2010</u>
Net pledges receivable	\$ 259,358	\$ 362,952
Restricted for grants to clients	<u>737,403</u>	<u>497,286</u>
	<u>\$ 996,761</u>	<u>\$ 860,238</u>

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization has no permanently restricted net assets.

Cash and cash equivalents

Interest bearing instruments, with maturities of three months or less, are considered to be cash equivalents.

WASHINGTON WOMEN IN NEED AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Investments

Investments are recorded at fair market value. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Interest, dividends, and realized and unrealized gains and losses are reported as investment income in the statement of activity. Investments are subject to market risk.

Fixed assets

Building and improvements, furniture and equipment are recorded at cost, if purchased, or fair value at the time of donation, if donated. Capital purchases over \$100 are capitalized. Fixed assets are depreciated over their estimated useful lives of thirty years for the building and three, five, and seven years for the software, equipment and furniture, respectively, using the straight line method. Leasehold improvements are amortized over the remaining life of the lease. Depreciation and amortization expense for the years ended June 30, 2011 and 2010, was \$5,308 and \$25,139, respectively.

Restricted and unrestricted support

All support in the statement of activity consists of contributions. Contributions, including unconditional promises to give, are recorded as received. Except for the founder contribution, all contributions are temporarily restricted for grants to clients, unless otherwise specified by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated services

The Organization recognizes donated services as support and expense if the services received either create or enhance nonfinancial assets, or if they require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not donated. Donated services for the year June 30, 2011, consisted of \$2,500 in architect fees and \$1,789 in artwork design services. During the year ended June 30, 2010, donated services received consisted of \$7,928 in architect fees, contractor fees of \$2,374, legal fees of \$4,000 and video production services of \$24,087.

WASHINGTON WOMEN IN NEED AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Estimates

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

Tax status

Washington Women In Need is a nonprofit organization exempt from federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Organization applied for and was granted public charity status under Section 170(b)(1)(A)(vi) effective July 1, 2007, for an advance ruling period of 60 months. ITP Granite Falls LLC is a disregarded entity for tax purposes because WWIN is the sole member. The Organization's income tax filings are subject to examination by various taxing authorities. The Organization's open examination periods are 2007 through 2010. No tax related contingencies are known.

NOTE 3 - BOARD DESIGNATED RESERVES AND ENDOWMENT INVESTMENTS

At June 30, 2011 and 2010, board designated reserves and endowment, at fair market value, were composed of:

	<u>2011</u>	<u>2010</u>
Cash and money market funds	\$ 959,600	\$ 280,021
Certificates of deposit	500,000	1,568,399
Fixed income securities	269,735	237,586
Equity securities	489,296	389,953
	<u>\$ 2,218,631</u>	<u>\$ 2,475,959</u>

For the years ended June 30, 2011 and 2010, investment income consisted of the following:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 32,468	\$ 51,417
Realized gain (loss)	(15,366)	(22)
Unrealized gain (loss)	134,840	58,964
Management fees	(5,907)	(5,269)
	<u>\$ 146,035</u>	<u>\$ 105,090</u>

WASHINGTON WOMEN IN NEED AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2011

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give, which are recognized as revenues in the period pledges are received. Pledges receivable are stated net of an allowance for uncollectible pledges. The Organization estimates the allowance based on its historical experience of pledge collection. Pledges, both restricted and unrestricted, expected to be collected within one year, are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of estimated cash flows, which approximates fair value, utilizing a discount rate of three to six percent.

Unconditional pledges receivable at June 30, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Receivable in one year	\$ 133,841	\$ 265,544
Receivable in greater than one year	154,173	167,515
Receivable in greater than five years	<u>15,000</u>	
Total unconditional pledges receivable	303,014	<u>433,059</u>
Less: discount to net present value	(11,688)	(18,393)
Less: allowance for uncollectible pledges	<u>(31,968)</u>	<u>(51,714)</u>
Net pledges receivable	<u>\$ 259,358</u>	<u>\$ 362,952</u>

NOTE 5 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity and change in net assets. Costs related to certain activities that benefit more than one program are allocated based on estimates and evaluations made by management.

NOTE 6 - CONCENTRATIONS OF RISK

During 2011, contributions from two donors represented 26 percent of total contributions. At June 30, 2011, a pledge from one donor represented 13 percent of the total pledges receivable balance.

Since the establishment of WWIN and until her death in April 2010, the founder and former board member of the Organization has made significant annual contributions to fund the Organization's operating expenses. No funds were received in the fiscal year ending June 30, 2011, as the founder's estate was still being settled. WWIN has established a business plan to diversify its donor base to become a self-sustaining organization.

The Organization maintains cash balances at various financial institutions. At times the bank balances may exceed the federally insured limit.

WASHINGTON WOMEN IN NEED AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2011

NOTE 7 - COMMITMENTS

On an ongoing basis, the Organization makes commitments to women to fund health care and educational needs; however, the Organization is not obligated to pay for these needs until the services and/or expenditures are incurred by the client. At June 30, 2011, estimated commitments were \$316,700.

NOTE 8 - OPERATING LEASE

The Organization had an annual lease for office space in Bellevue, Washington, effective through July 31, 2011. In May 2011, a lease for a new office location in Bellevue, Washington, was signed. The lease requires monthly payments beginning at \$1,474 plus triple net expenses, and is effective through April 30, 2016. Total rental expenses for 2011 were \$53,023. Future minimum payments under the leases are as follows for the year ended June 30:

2012	\$	21,862
2013		18,206
2014		18,650
2015		19,094
2016		16,220
	<u>\$</u>	<u>94,032</u>

NOTE 9 - BOARD DESIGNATED NET ASSETS - RESERVES AND ENDOWMENT FUND

Reserves

The Board of Directors has designated certain funds to be invested separately and to function as reserves. At June 30, 2011 and 2010, board designated reserves consisted of the following:

	2011	2010
Operating reserve	\$ 108,064	\$ 504,307
Program commitment reserve	206,835	205,307
Building reserve	1,118,092	1,109,827
	<u>\$ 1,432,991</u>	<u>\$ 1,819,441</u>

Endowment

As of June 30, 2011 and 2010, respectively, the Board of Directors had designated \$785,640 and \$656,518 of unrestricted net assets as a quasi endowment fund to be used for and invested as required by the Investment Policy Statement as amended in December 2009 (the "IPS"). Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

WASHINGTON WOMEN IN NEED AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2011

NOTE 9 - BOARD DESIGNATED NET ASSETS - RESERVES AND ENDOWMENT FUND,
CONTINUED

Endowment, continued

The Board has designated the earnings or loss on the endowment investments to increase or decrease the designated endowment amount. The IPS states that while the Organization may take distributions over time from the fund, none are presently anticipated. The Organization established a 10-year time horizon for the fund with investment objectives of generating growth in principal and income over the long term and establishing an investment objective of “Balanced”.

To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes cash, fixed income and equity to achieve the strategic target established in the IPS. The Organization receives a monthly investment performance report and meets at least annually with the investment manager to review the portfolio and the IPS.

Composition of and changes in endowment net assets for the year ended June 30, 2011, were as follows:

Board-designated endowment net assets, beginning of year	\$ 656,518
Investment income	16,441
Investment fees	(5,907)
Net appreciation (depreciation)	<u>118,588</u>
Board-designated endowment net assets, end of year	<u>\$ 785,640</u>

NOTE 10 - ITP GRANITE FALLS LLC AND IMPAIRMENT OF DONATED LAND

In 2009, WWIN established a single member limited liability company, ITP Granite Falls LLC, to accept the gift of three lots of land and a cash donation of \$35,000 from a prior donor. The intention was to sell the lots when market conditions improved.

The Board established the value of the respective lots by reviewing the donor’s cost basis for each lot, the listing prices for the lots and the assessed value for the lots. In fiscal year 2010, the Board had the property reevaluated and determined the land’s value had decreased due to the economic downturn. As a result, the Organization recorded an impairment loss in the amount of \$62,800 for the year ended June 30, 2010.

A current market evaluation, based on discussions with a real estate professional in Granite Falls, and the 2011 tax assessed values indicate that the fair market value of the property has again

WASHINGTON WOMEN IN NEED AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2011

NOTE 10 - ITP GRANITE FALLS LLC AND IMPAIRMENT OF DONATED LAND,
CONTINUED

declined. The current total market valuation of the three lots as of June 30, 2011, was determined to be \$350,000, a \$54,200 reduction from the prior valuation. Because the evaluation determined that the land value is unlikely to appreciate prior to sale of the property, an impairment loss of \$54,200 was recorded for the year ended June 30, 2011. It is WWIN's intention to sell these lots.

NOTE 11 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Codification, Subtopic 820-10, *Fair Value Measurements and Disclosures*, establishes a hierarchy for measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The valuation methodologies used to measure fair value have been consistently applied. All assets and liabilities measured at fair value on a recurring basis fall in Level 1 at June 30, 2011.

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

<u>Fair Value Measurements Using</u>					
	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
Land held	\$ 350,000	\$ -	\$ 350,000	\$ -	\$ (54,200)

Donated land with a total carrying amount of \$404,200 was written down to its fair value of \$350,000, resulting in an impairment charge of \$54,200, which was included in the change in unrestricted net assets for the year ended June 30, 2011.

The land has been valued using a market approach. The values were determined using a combination of market prices, including offering and/or sale prices of similar lots in Snohomish County, taking into account specific characteristics relating to the subject lots that affect market value such as size of lot, location, buildable space, and other factors relevant to market price based on the evaluation of the real estate professional and the Snohomish County Assessor's office. There were no changes in the valuation techniques during the current year.

WASHINGTON WOMEN IN NEED AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2011

NOTE 12 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 10, 2011, which is the date the financial statements were available to be issued, and have determined that there are no subsequent events that require disclosure.