

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

**Consolidated Financial Statements**  
**for the Year Ended June 30, 2012**  
**(With Comparative Totals for 2011)**  
**and Independent Auditors' Report**

WASHINGTON WOMEN IN NEED AND AFFILIATE  
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For the Year Ended June 30, 2012

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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, 2012, 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 2011 financial statements, and, in our report dated November 10, 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 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, 2012, 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 7, 2012

WASHINGTON WOMEN IN NEED AND AFFILIATE  
Consolidated Statement of Financial Position  
June 30, 2012  
(With Comparative Totals for 2011)

ASSETS	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 843,321	\$ 897,037
Pledges receivable, current portion	75,256	133,841
Prepaid expenses and other receivables	4,112	2,877
	<u>922,689</u>	<u>1,033,755</u>
Other assets:		
Pledges receivable, noncurrent, net	89,417	125,517
Land	298,000	350,000
Board designated reserves	1,432,991	1,432,991
Board designated investments - endowment	803,418	785,640
	<u>2,623,826</u>	<u>2,694,148</u>
Fixed assets:		
Leasehold improvements	72,824	37,034
Furniture	21,367	21,316
Computers and equipment	38,020	31,864
	132,211	90,214
Less: accumulated depreciation and amortization	<u>(59,685)</u>	<u>(64,826)</u>
Total fixed assets	<u>72,526</u>	<u>25,388</u>
	<u>\$ 3,619,041</u>	<u>\$ 3,753,291</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 24,007	\$ 47,954
Net assets:		
Unrestricted		
Undesignated	648,185	489,945
Designated by Board for reserves	1,432,991	1,432,991
Designated by Board for endowment	803,418	785,640
	<u>2,884,594</u>	<u>2,708,576</u>
Temporarily restricted	710,440	996,761
	<u>3,595,034</u>	<u>3,705,337</u>
	<u>\$ 3,619,041</u>	<u>\$ 3,753,291</u>

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, 2012  
(With Comparative Totals for 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
Operating activities				
Revenues, gains and support				
Special events revenue		\$ 281,317	\$ 281,317	\$ 362,801
Less direct costs	\$ (49,024)		(49,024)	(57,760)
	(49,024)	281,317	232,293	305,041
Major gifts	461,671		461,671	143,561
Foundations and corporations	172,463		172,463	194,500
Donations	58,526		58,526	68,003
Donations - in-kind	2,564		2,564	4,289
Investment income (loss)	34,578		34,578	146,035
Net assets released from restriction	567,638	(567,638)		
	<u>1,248,416</u>	<u>(286,321)</u>	<u>962,095</u>	<u>861,429</u>
Expenses				
Program services				
Direct client expense	567,638		567,638	743,924
Other program expenses	164,702		164,702	171,316
	<u>732,340</u>		<u>732,340</u>	<u>915,240</u>
Support services				
Management and general	102,100		102,100	91,263
Fundraising	180,599		180,599	181,689
	<u>282,699</u>		<u>282,699</u>	<u>272,952</u>
	<u>1,015,039</u>		<u>1,015,039</u>	<u>1,188,192</u>
Change in operating net assets	<u>233,377</u>	<u>(286,321)</u>	<u>(52,944)</u>	<u>(326,763)</u>
Non-operating activities				
Property taxes and maintenance	(5,359)		(5,359)	(6,342)
Impairment loss	(52,000)		(52,000)	(54,200)
Change in non-operating net assets	<u>(57,359)</u>		<u>(57,359)</u>	<u>(60,542)</u>
Total change in net assets	176,018	(286,321)	(110,303)	(387,305)
Net assets, beginning of year	<u>2,708,576</u>	<u>996,761</u>	<u>3,705,337</u>	<u>4,092,642</u>
Net assets, end of year	<u>\$ 2,884,594</u>	<u>\$ 710,440</u>	<u>\$ 3,595,034</u>	<u>\$ 3,705,337</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, 2012  
(With Comparative Totals for 2011)

	Program	Management	Fund-	Total	Total
	Services	and General	raising	2012	2011
Direct client expense	\$ 567,638			\$ 567,638	\$ 743,924
Payroll and related expenses	123,317	\$ 44,390	\$ 131,654	299,361	275,751
Professional fees	-	26,805	14,820	41,625	49,916
Office, supplies and postage	4,826	2,179	3,333	10,338	13,369
Technology and equipment	4,879	1,493	4,587	10,959	15,789
Insurance	2,412	1,286	2,175	5,873	5,033
Fees and taxes	-	2,745	5,017	7,762	8,710
Printing and design	42	4,578	2,290	6,910	6,560
Facility expense	17,797	6,136	10,219	34,152	53,023
Other expense	765	2,527	1,893	5,185	10,809
Moving expenses	2,344	813	1,283	4,440	-
Depreciation & amortization	8,320	9,148	3,328	20,796	5,308
Total expenses	<u>\$ 732,340</u>	<u>\$ 102,100</u>	<u>\$ 180,599</u>	<u>\$ 1,015,039</u>	<u>\$ 1,188,192</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, 2012  
(With Comparative Totals for 2011)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (110,303)	\$ (387,305)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	20,796	5,308
Impairment loss	52,000	54,200
Realized and unrealized (gain) loss on investments	(4,279)	(119,474)
Changes in operating assets and liabilities:		
Pledges receivable	94,685	103,594
Prepaid expenses and other receivables	(1,235)	(1,574)
Accounts payable and accrued expenses	(23,947)	(21,066)
Net cash provided (used) by operating activities	27,717	(366,317)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to board designated reserves		(13,550)
Withdrawal from board designated reserves		400,000
Leasehold improvements	(56,926)	(15,898)
Purchase of fixed assets	(11,008)	(7,944)
Reinvested income - endowment	(13,499)	(9,648)
Net cash provided (used) by investing activities	(81,433)	352,960
Net increase (decrease) in cash	(53,716)	(13,357)
Cash and cash equivalents, beginning of year	897,037	910,394
Cash and cash equivalents, end of year	\$ 843,321	\$ 897,037

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, 2012

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, 2012 and 2011, temporarily restricted net assets consisted of the following:

	<u>2012</u>	<u>2011</u>
Net pledges receivable	\$ 164,673	\$ 259,358
Restricted for grants to clients	<u>545,767</u>	<u>737,403</u>
	<u>\$ 710,440</u>	<u>\$ 996,761</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, 2012

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, 2011, 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 \$1,000 are capitalized. Fixed assets are depreciated over their estimated useful lives of 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, 2012 and 2011, was \$20,796 and \$5,308, 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. Prior to fiscal 2012, all contributions except for the founder contribution were temporarily restricted for grants to clients, unless otherwise specified by the donor. Beginning in fiscal 2012, special event contributions were publicized as restricted for grants to clients. 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, 2012, consisted of \$1,739 in special event printing and \$825 in consulting. Donated services for the year June 30, 2011, consisted of \$2,500 in architect fees and \$1,789 in artwork design services.

WASHINGTON WOMEN IN NEED AND AFFILIATE  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2012

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 Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code effective July 1, 2007, for an advance ruling period of 60 months. The Organization satisfied the requirements of Section 507(b)(1)(B) of the Code as of June 30, 2012. 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 2008 and thereafter. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

NOTE 3 - BOARD DESIGNATED RESERVES AND ENDOWMENT INVESTMENTS

At June 30, 2012 and 2011, board designated reserves and endowment, at fair market value, were composed of:

	<u>2012</u>	<u>2011</u>
Cash and money market funds	\$ 961,195	\$ 959,600
Certificates of deposit	500,000	500,000
Fixed income securities	276,614	269,735
Equity securities	<u>498,601</u>	<u>489,296</u>
	<u>\$ 2,236,409</u>	<u>\$ 2,218,631</u>

For the years ended June 30, 2012 and 2011, investment income consisted of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 36,556	\$ 32,468
Realized and unrealized gains (losses)	4,279	119,474
Management fees	<u>( 6,257)</u>	<u>( 5,907)</u>
	<u>\$ 34,578</u>	<u>\$ 146,035</u>

WASHINGTON WOMEN IN NEED AND AFFILIATE  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2012

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, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Receivable in one year	\$ 75,256	\$ 133,841
Receivable in greater than one year	104,493	154,173
Receivable in greater than five years	<u>10,000</u>	<u>15,000</u>
Total unconditional pledges receivable	189,749	303,014
Less: discount to net present value	( 5,787)	( 11,688)
Less: allowance for uncollectible pledges	<u>( 19,289)</u>	<u>( 31,968)</u>
Net pledges receivable	<u>\$ 164,673</u>	<u>\$ 259,358</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 fiscal 2012, contributions from two donors represented 51 percent of total contributions. At June 30, 2012, a pledge from one donor represented 18 percent of the total pledges receivable balance and the pledge total from three donors represented 50 percent of the total balance. WWIN has established a business plan to diversify its donor base.

In fiscal year 2012, WWIN received a donation from the Julia Love Pritt Foundation. No funds were received during the 2011 fiscal year, as the founder's estate was still being settled.

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, 2012

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, 2012, estimated commitments were \$119,500.

NOTE 8 - OPERATING LEASE

The Organization has a lease for office space in Bellevue, Washington, effective May 2011 through April 30, 2016. The lease requires monthly payments beginning at \$1,474, plus triple net expenses. Total rental expense for 2012 was \$29,949. Future minimum payments under the lease are as follows for the year ended June 30:

2013	\$	18,206
2014		18,650
2015		19,094
2016		16,220
		<u>72,170</u>
	\$	<u>72,170</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, 2012 and 2011, board designated reserves consisted of the following:

	<u>2012</u>	<u>2011</u>
Operating reserve	\$ 108,064	\$ 108,064
Program commitment reserve	206,835	206,835
Building reserve	<u>1,118,092</u>	<u>1,118,092</u>
	<u>\$ 1,432,991</u>	<u>\$ 1,432,991</u>

Endowment

As of June 30, 2012 and 2011, respectively, the Board of Directors had designated \$803,418 and \$785,640 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, 2012

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, 2012, were as follows:

Board-designated endowment net assets, beginning of year	\$ 785,640
Investment income	19,717
Investment fees	( 6,218)
Net appreciation (depreciation)	<u>4,279</u>
Board-designated endowment net assets, end of year	<u>\$ 803,418</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 2011 and 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 and \$54,200 for the year ended June 30, 2011 and 2010, respectively.

A current market evaluation, based on discussions with a real estate professional in Granite Falls, indicate that the fair market value of the property has again declined. The current total market

WASHINGTON WOMEN IN NEED AND AFFILIATE  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2012

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

valuation of the three lots as of June 30, 2012, was determined to be \$298,000, a \$52,000 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 \$52,000 was recorded for the year ended June 30, 2012. 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, 2012.

Fair values of assets and liabilities measured on a nonrecurring basis at June 30, 2012, are as follows:

Fair Value Measurements Using

	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets/ Liabilities <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>	Total Gains <u>(Losses)</u>
Land	\$ 298,000	\$ -	\$ 298,000	\$ -	\$ (52,000)

Donated land with a total carrying amount of \$350,000 was written down to its fair value of \$298,000, resulting in an impairment charge of \$52,000, which was included in the change in unrestricted net assets for the year ended June 30, 2012.

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. 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, 2012

NOTE 12 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 7, 2012, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.