



**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012
WITH SUMMARY COMPARATIVE INFORMATION FOR 2011**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Downtown Women's Center:

Report on the Financial Statements

We have audited the accompanying financial statements of Downtown Women's Center (a non-profit organization) which are comprised of the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

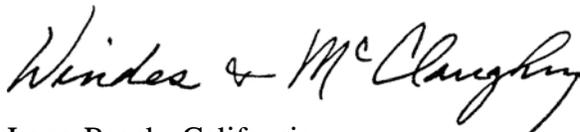
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Downtown Women's Center as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Downtown Women's Center 2011 consolidated financial statements, and our report dated June 13, 2012 expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited consolidated financial statements from which it was derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as whole. The consolidating statement of financial position, consolidating statement of activities, and consolidating statement of cash flows (supplementary schedules) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.



Long Beach, California

July 16, 2013, except for Note 16, as to which the date is

November 26, 2013

DOWNTOWN WOMEN'S CENTER

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012 WITH COMPARATIVE TOTALS FOR 2011**

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
ASSETS					
Cash and cash equivalents	\$ 423,023			\$ 423,023	\$ 1,878,103
Investments	1,101,428	\$ 558,241	\$ 1,000,000	2,659,669	1,849,517
Accounts receivable, net	346,331			346,331	343,390
Promises to give, net	972,534	393,750		1,366,284	1,493,254
Prepays and other assets	56,202			56,202	86,926
Restricted cash	841,629			841,629	21,300
Property and equipment, net	<u>28,799,919</u>	<u>5,480,000</u>		<u>34,279,919</u>	<u>30,113,556</u>
TOTAL ASSETS	<u>\$ 32,541,066</u>	<u>\$ 6,431,991</u>	<u>\$ 1,000,000</u>	<u>\$ 39,973,057</u>	<u>\$ 35,786,046</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 725,428			\$ 725,428	\$ 355,605
Accrued interest					357,294
Loans payable	<u>19,613,810</u>			<u>19,613,810</u>	<u>16,434,720</u>
Total Liabilities	<u>20,339,238</u>			<u>20,339,238</u>	<u>17,147,619</u>

COMMITMENTS AND CONTINGENCIES

(Notes 9 and 10)

NET ASSETS	<u>12,201,828</u>	<u>\$ 6,431,991</u>	<u>\$ 1,000,000</u>	<u>19,633,819</u>	<u>18,638,427</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 32,541,066</u>	<u>\$ 6,431,991</u>	<u>\$ 1,000,000</u>	<u>\$ 39,973,057</u>	<u>\$ 35,786,046</u>

See Independent Auditors' Report

The accompanying notes are an integral part of these consolidated financial statements.

DOWNTOWN WOMEN'S CENTER

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
SUPPORT AND REVENUES:					
Support:					
Grant income	\$ 704,522	\$ 1,369,000		\$ 2,073,522	\$ 1,615,292
Contributions	573,618			573,618	605,500
Capital campaign		1,879,653		1,879,653	1,554,211
Special event income (net of direct expense of \$114,813 and \$73,963)	374,438			374,438	186,275
In-kind support	650,391			650,391	583,241
Debt forgiveness	172,500			172,500	172,500
Total Support	<u>2,475,469</u>	<u>3,248,653</u>		<u>5,724,122</u>	<u>4,717,019</u>
Other Revenues:					
Interest and dividends	48,367			48,367	31,363
Net gain (loss) on investments	191,432			191,432	(72,304)
Loss on disposal of assets (78,578)			(78,578)	
Rental income	729,506			729,506	694,106
Social enterprise income	139,072			139,072	68,517
Other revenues	7,847			7,847	1,868
Net assets released from restrictions	4,275,535	(4,275,535)			
Total Other Revenues	<u>5,313,181</u>	<u>(4,275,535)</u>		<u>1,037,646</u>	<u>723,550</u>
Total Support and Other Revenues	<u>7,788,650</u>	<u>(1,026,882)</u>		<u>6,761,768</u>	<u>5,440,569</u>
EXPENSES:					
Program services	4,501,676			4,501,676	4,348,463
Fundraising	557,649			557,649	517,724
Management and general	707,051			707,051	887,685
Total Expenses	<u>5,766,376</u>			<u>5,766,376</u>	<u>5,753,872</u>
CHANGE IN NET ASSETS	2,022,274	(1,026,882)		995,392	(313,303)
NET ASSETS, BEGINNING OF YEAR	<u>10,179,554</u>	<u>7,458,873</u>	<u>\$ 1,000,000</u>	<u>18,638,427</u>	<u>18,951,730</u>
NET ASSETS, END OF YEAR	<u>\$ 12,201,828</u>	<u>\$ 6,431,991</u>	<u>\$ 1,000,000</u>	<u>\$ 19,633,819</u>	<u>\$ 18,638,427</u>

See Independent Auditors' Report

The accompanying notes are an integral part of these consolidated financial statements.

DOWNTOWN WOMEN'S CENTER

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR 2011**

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>2012</u>	<u>2011</u>
Salaries	\$ 1,811,782	\$ 378,207	\$ 169,363	\$ 2,359,352	\$ 2,295,075
In Kind - Program Supplies	508,648	380		509,028	385,658
Utilities and Telephone	399,915	9,202	71,028	480,145	545,089
Benefits	363,072	62,431	38,164	463,667	505,510
Consulting	284,406	14,319	151,011	449,736	360,358
Store Expenses	106,598	11,809		118,407	63,829
Day Center	117,551			117,551	70,188
Insurance	55,580	819	15,070	71,469	90,841
Repairs and Maintenance	54,194	1,167	9,317	64,678	48,223
Technology	42,734	10,654	7,154	60,542	47,985
Residence	45,937			45,937	21,088
Miscellaneous	(21,896)	5,603	57,741	41,448	68,202
Accounting and Legal			40,280	40,280	33,876
In-Kind - Professional Services	10,227	2,179	27,323	39,729	103,632
Printing	20,960	16,110	2,360	39,430	40,638
Office Supplies	21,911	3,112	3,015	28,038	52,621
Clinical Health Services	19,673			19,673	10,513
Transportation	12,012	2,422	3,295	17,729	15,874
Promotion and Awareness	9,883	2,613		12,496	12,272
Postage	5,683	1,416	240	7,339	8,582
Staff Training	3,701	514	899	5,114	14,712
Bad Debt Expense			3,467	3,467	7,873
Total expenses before interest and depreciation	<u>3,872,571</u>	<u>522,957</u>	<u>599,727</u>	<u>4,995,255</u>	<u>4,802,639</u>
Interest Expense	81,455	4,668	14,000	100,123	300,325
Depreciation	<u>547,650</u>	<u>30,024</u>	<u>93,324</u>	<u>670,998</u>	<u>650,908</u>
2012 Total expenses	<u>\$ 4,501,676</u>	<u>\$ 557,649</u>	<u>\$ 707,051</u>	<u>\$ 5,766,376</u>	
2011 Total expenses	<u>\$ 4,348,463</u>	<u>\$ 517,724</u>	<u>\$ 887,685</u>		<u>\$ 5,753,872</u>
Percentage of total expenses:					
2012	78%	10%	12%	100.0%	
2011	76%	9%	15%		100.0%

See Independent Auditors' Report

The accompanying notes are an integral part of these consolidated financial statements.

DOWNTOWN WOMEN'S CENTER

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Year Ended	
	December 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 995,392	(\$ 313,303)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Stock donations received	(17,457)	(16,519)
Contribution of building improvements	(80,801)	(93,326)
Unrealized and realized (gain) loss on investments	(191,432)	72,304
Loss on disposal of assets	78,578	
Forgiveness of loan	(172,500)	(172,500)
Capital campaign activities	(1,879,653)	(1,455,712)
Depreciation	670,998	650,908
Changes in:		
Accounts receivable	(2,941)	(213,477)
Promises to give, net	(338,625)	1,084,303
Prepays and other assets	30,724	(47,422)
Accounts payable and accrued expenses	419,909	422,760
Net Cash Used In Operating Activities	<u>(487,808)</u>	<u>(81,984)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,620,741	1,116,170
Purchases of investments	(2,222,004)	(564,053)
Purchase of property and equipment	(241,433)	(49,769)
Construction and building development costs	(4,593,705)	(2,674,305)
Net Cash Used In Investing Activities	<u>(5,436,401)</u>	<u>(2,171,957)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	2,123,881	2,192,615
Capital campaign, net of fundraising	2,345,248	455,712
Net Cash Provided By Financing Activities	<u>4,469,129</u>	<u>2,648,327</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,455,080)	394,386
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,878,103</u>	<u>1,483,717</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 423,023</u>	<u>\$ 1,878,103</u>

See Independent Auditors' Report

The accompanying notes are an integral part of these consolidated financial statements.

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 1 – Organization and Purpose

The mission of the Downtown Women's Center (DWC) is to provide permanent supportive housing and a safe and healthy community fostering dignity, respect, and personal stability, and to advocate ending homelessness for women.

Founded in 1978, DWC has become a nationally recognized model because its wraparound services fulfill immediate and critical needs, while providing more intensive and long-term solutions to ending homelessness for women. The organization has experienced rapid growth and expansion over the past three years, increasing the number of women served by 72%, now reaching 4300 women annually. DWC provides a wide array of resources all in one place to remove barriers to accessing support; services include:

- **Basic Needs & Resources:** For women living on the streets or in night-to-night shelters, DWC's Day Center provides a respite from the rigors of the street, while offering a combination of critical services to address individual needs.
- **Housing Services:** With 119 units of permanent supportive housing, DWC is one of the largest housing centers for women in the nation and continues to create innovative and successful housing models focused on ending women's homelessness.
- **Health & Well-Being:** DWC offers medical care, mental health services, and enrichment activities focused on overall health and social connectedness.
- **Education & Job Readiness:** DWC offers education and job readiness resources aimed at breaking the cycles of unemployment and homelessness, along with two innovative social enterprise boutiques through which job training opportunities are provided.
- **Public Education & Volunteer Program:** DWC conducts outreach and public education efforts on the root causes of and solutions to women's homelessness, along with engaging over 2500 individuals to volunteer their time to support DWC's direct service, fundraising, and advocacy efforts.

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 1 – Organization and Purpose (Continued)

DWC serves homeless, formerly homeless, and extremely low-income women who participate in program offerings at the DWC Day Center as well as the formerly homeless women who live in the DWC Residences. The women reflect the multi-ethnic diversity of Los Angeles and come from a variety of backgrounds. Many are dealing with the effects of extreme stress and difficulty of life on the streets. Almost one hundred percent of them live significantly below the poverty line with little or no income, and the majority are overcoming histories of domestic violence and sexual assault, physical and mental illness, major depression and trauma, and/or long-term homelessness.

In 2012, the following milestones were achieved; DWC:

- provided over 90,000 meals to those in need.
- created a safe oasis for 4300 women and a permanent supportive home for 119 formerly homeless women – a 65% increase from 2011.
- provided over 6500 case management sessions to ensure that each woman has an individualized service plan tailored to her needs.
- offered basic medical care, mammograms, and women's health services, HIV screenings, and physical and mental health assessments through Skid Row's only women's Medical and Mental Health Center.
- assisted over 1000 women with education and job readiness resources through the Learning Center and computer lab; classes in computer skills, literacy, and math; and academic and vocational counseling.
- provided 24,000 showers, 29,000 changes of clothes, and 2600 loads of laundry, along with day rest beds, phone, and mail services in the drop-in Day Center.
- surpassed 34,000 annual volunteer hours and 2500 volunteers.
- helped break the cycle of homelessness by ensuring that 95% of the women DWC houses stay housed permanently.

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 2 – Summary of Significant Accounting Policies

Principles of Consolidation

The Downtown Women's Center LLC (LLC), a wholly owned subsidiary of DWC is a sole member California limited liability corporation formed to hold title to real estate and similar property purchased by DWC. The accompanying consolidated financial statements include DWC and the LLC (collectively, the Center). All material intercompany accounts and transactions have been eliminated upon consolidation.

Financial Statement Presentation

The Center reports information regarding its financial position and activities according to three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) based upon the existence and nature of donor-imposed restrictions.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Funds restricted based upon specific donor designations and, as such, are obligations the Center must fulfill. They include gifts for which donor-imposed restrictions have not been met and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. These amounts are not available for unrestricted purposes.

Permanently Restricted Net Assets – Includes gifts and pledges which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the invested corpus.

Comparative Totals

The consolidated 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's consolidated financial statements for the year ended December 31, 2011 from which the summarized information was derived.

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the consolidated financial statements. Significant items subject to such estimates and assumptions include useful lives of property and equipment, the valuation of long-lived assets, investments, accounts receivable, and promises to give.

Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, the Center considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position. Realized gains and losses are computed as the difference between the beginning-of-year fair value, or cost for current year acquisitions, and sales proceeds. Unrealized gains and losses are the current year appreciation and depreciation in investments held at year-end. Unrealized gains and losses are included in the change in net assets in the consolidated statement of activities.

Accounts Receivable

Accounts receivable are stated at the amount the Center expects to collect from balances outstanding at year-end. The Center records a provision for bad debts at such time as collectability cannot be reasonably assured. At December 31, 2012, there was no provision recorded for doubtful accounts.

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Financial Risk

The Center maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. Given the current economic environment and risks in the banking industry, there is risk that these deposits may not be readily available or covered by insurance.

The Center's investments are exposed to various risks, such as market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment is recorded at the estimated fair value at the date of donation. Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of the respective assets. Major improvements and replacements of property are capitalized. Maintenance, repairs, and minor improvements and replacements are expensed. Larger property donations for which there is a reasonable basis to measure value, and purchases over \$5,000, are capitalized and depreciated.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor's stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

Contributions, including endowment gifts and pledges, are recognized as support in the period received or pledged. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Legacies and Bequests

The Center has been named a beneficiary in a number of bequests. Bequests are not recognized as support until all of the following conditions are met: the demise of the testator; the amount of the bequest is known; and the Center is certain that, based on the estate's net assets, the amount bequeathed is realizable and the probate court has declared the will valid.

Contributions In-Kind

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

DWC recorded in-kind support totaling \$666,891 (\$16,500 included in Special Event Income) for donated food, clothing and household items, furnishings, equipment and holiday items and professional services during the year ended December 31, 2012. Donated volunteer services are not all reflected in the accompanying consolidated financial statements; however, in 2012, more than 2,500 volunteers donated 34,000 hours in support of DWC's program services, management, and fundraising activities. This includes 31,650 hours of volunteer time not reflected in these financial statements and valued at an estimated \$783,000. (The value of volunteer time is calculated by The Independent Sector based on the average hourly earnings of all production and non-supervisory workers on private non-farm payrolls - as determined by the Bureau of Labor Statistics - and increased by 12 percent to estimate for fringe benefits.)

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and other activities based upon the relative benefit received.

Tax Status

DWC is a nonprofit organization and, therefore, is not subject to federal or state income taxes under Internal Revenue Code Section 501(c)(3). This exemption is for all income taxes except for those assessed on unrelated business income, of which there is none.

The LLC is a limited liability corporation and has elected to be treated as a partnership for federal income tax purposes and, accordingly, the income or loss of the LLC will be recorded on the return of its member. The LLC is exempt from California franchise tax under California Revenue and Taxation code 23701. As a result, no provision for income tax has been recorded on these consolidated financial statements.

Subsequent Events

The Center has evaluated subsequent events through November 26, 2013, the date the consolidated financial statements were available to be issued for the year ended December 31, 2012.

NOTE 3 – Change in Accounting Method

During the year ended December 31, 2012, the Center modified its accounting treatment for accruing interest on notes payable expected to be forgiven. The notes payable to the Community Redevelopment Agency (CRA), the Housing Authority of the County of Los Angeles (Housing Authority), the Los Angeles Housing Development (Home Funds), and the Multifamily Housing Program (MHP) contain provisions which require the Center to make principal and interest payments in any future period in which the Center has residual receipts from operations. Under the previous accounting method, interest on these loans was accrued annually on the Center's balance sheet. However, the Center believes that its current and future operations will not yield residual receipts and that the likelihood of having to pay interest under these loans is not probable. Therefore, the Center is no longer accruing interest under these loans, but is rather treating the interest as a contingent liability. Interest expense previously recognized and accrued has been reversed. The cumulative contingent liability for interest is disclosed in Note 9.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 3 – Change in Accounting Method (Continued)

The comparative summarized financial information presented in the accompanying financial statements has been adjusted to apply the new accounting method retroactively. The following consolidated financial statement line items for 2011 were affected by the change in accounting method.

	As Reported Under Previous Method	As Reported Under Current Method	Effect of Change
Consolidated Statement of Activities			
Program expenses	\$ 4,783,720	\$ 4,348,463	(\$ 435,257)
Fundraising	\$ 526,935	\$ 517,724	(\$ 9,211)
Management and general	\$ 978,720	\$ 887,685	(\$ 91,035)
Change in Net Assets	(\$ 848,806)	(\$ 313,303)	\$ 535,503
Consolidated Statement of Financial Position			
Property and equipment, net	\$ 30,321,397	\$ 30,113,556	(\$ 207,841)
Total Assets	\$ 35,993,887	\$ 35,786,046	(\$ 207,841)
Accrued interest	\$ 1,100,638	\$ 357,294	(\$ 743,344)
Net Assets	\$ 18,102,924	\$ 18,638,427	\$ 535,503
Statement of Cash Flows			
Change in Net Assets	(\$ 848,806)	(\$ 313,303)	\$ 535,503
Depreciation	\$ 656,769	\$ 650,908	(\$ 5,861)
Accounts payable and accrued expenses	\$ 952,402	\$ 422,760	(\$ 529,642)
Net cash used in operations	(\$ 81,984)	(\$ 81,984)	

As a result of the change in accounting method, net assets as of January 1, 2012 increased from 18,102,924 to 18,638,427.

DOWNTOWN WOMEN’S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 4 – Restricted Cash

The Center is required under terms of various note payable agreements to maintain reserves for property maintenance, operating expense shortfalls, or discontinuance of rent subsidies received by the Center. The funds are required to be held in an interest bearing account, earnings retained, and are not available for current use.

Restricted cash balances as of December 31, 2012 consist of the following:

<u>Lender</u>	<u>Reserve Requirements</u>	<u>Reserve Purpose</u>	<u>Amount</u>
MHP	\$850 per unit at the San Pedro Street Home	Replacement	\$ 61,231
Housing Authority	\$607 per unit at the Los Angeles Street Home or amounts required by senior financing	Replacement	<u>27,315</u>
			<u>88,546</u>
MHP	\$150,237 initial funding plus annual operating surpluses	Operating	<u>167,788</u>
MHP	\$504,806 plus annual funding of \$80,000 until the reserve reaches \$1,027,900	Transition	<u>585,295</u>
Total Restricted Cash for Lender Reserves			<u>\$ 841,629</u>

The Home Funds and CRA notes payable agreements also contain provisions for replacement, operating and transition reserves. The agreements require minimum funding equal to or less than the MHP required reserves and additional funding only in periods of cash flow in excess of operating expenses.

DOWNTOWN WOMEN’S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 5 – Investments

Investments at December 31, 2012 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Fixed income	\$ 1,022,264	\$ 1,052,512
Equities	<u>1,559,887</u>	<u>1,607,157</u>
	<u>\$ 2,582,151</u>	<u>\$ 2,659,669</u>

NOTE 6 – Fair Value Hierarchy

The Center uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the Center’s various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The Center groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 6 – Fair Value Hierarchy (Continued)

The Center's valuation techniques for assets and liabilities recorded at fair value are as follows:

Investments – The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment.

The following table presents assets at December 31, 2012 that are measured at fair value on a recurring basis:

	Fair Value Measurements at Reporting Date			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments				
Fixed income	\$ 1,052,512			\$ 1,052,512
Equities	<u>1,607,157</u>			<u>1,607,157</u>
Total	<u>\$ 2,659,669</u>	<u>None</u>	<u>None</u>	<u>\$ 2,659,669</u>

NOTE 7 – Promises to Give

The Center anticipates collection of outstanding pledges receivable at December 31, 2012 as follows:

Receivable in one year	\$ 874,155
Receivable in two to five years	521,400
More than five years	<u>1,000</u>
	1,396,555
Less reserve for uncollectible pledges	(3,000)
Less discount to present value	<u>(27,271)</u>
Net unconditional promises to give	<u>\$ 1,366,284</u>

The discount rate used on long-term promises to give is 3%.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 8 – Property and Equipment

Property and equipment at December 31, 2012 consists of the following:

		<u>Estimated Useful Lives</u>
Land	\$ 6,070,500	
Building and improvements	28,873,531	39.5 years
Furniture and equipment	<u>686,378</u>	5-20 years
	35,630,409	
Less accumulated depreciation	(<u>1,350,490</u>)	
	<u>\$34,279,919</u>	

San Pedro Street Home

In February 2009, the city of Los Angeles donated land and a building (the San Pedro Street Home) to be used by the Center to expand program services. The six-story San Pedro Street Home is located at 434, 438, and 442 South San Pedro Street, Los Angeles, California. The Center completed the rehabilitation of this building in December 2010, which provides seventy-one units of permanent, supportive, affordable housing, a drop-in day center, a social enterprise/job-training program, and the only medical and mental health clinic specializing in women's health on Skid Row. The completed rehabilitation created a new home for the Center and has resulted in a significant increase in both the housing offered and the number of women served by the Center.

In conjunction with the development of the San Pedro Street Home, an Agreement Containing Covenants Affecting Real Property was recorded by the city of Los Angeles restricting occupancy of the residential units for a period of at least 55 years to women who are homeless or at risk of homelessness and the total monthly rental charges affordable to persons at the very low income level or below. The Center reports the land value for the San Pedro Street Home as a temporarily restricted asset due to the nature of this restriction on use imposed at the time of donation.

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 8 – Property and Equipment (Continued)

Los Angeles Street Home

Also included in buildings and improvements are costs relating to the Center's renovation of its Los Angeles Street Home located at 325 and 333 Los Angeles Street, Los Angeles, California, which was completed in November 2012. The renovation of the facility includes an additional forty-eight residential units and serves chronically homeless women, providing a pathway out of homelessness and into personal stability. As part of the renovation project, the Center also opened the Made by DWC Resale Boutique providing quality products for sale to the Los Angeles community while providing on-the-job vocational education and training to the women that it serves.

NOTE 9 – Loans Payable

Loans payable at December 31, 2012 consists of the following:

CRA Permanent Loan	\$ 3,105,000
Housing Authority Loan – San Pedro Street Home	2,000,000
Housing Authority Loan – Los Angeles Street Home	1,255,754
Home Fund Loan	4,847,914
AHP Loan	420,000
MHP Loan	<u>7,985,142</u>
	<u>\$ 19,613,810</u>

The Center has entered into construction and permanent loan agreements with various lending and government entities. The City of Los Angeles Community Redevelopment Agency (CRA) loaned the Center \$950,000 (CRA Preconstruction Loan) for predevelopment costs associated with the development of a new site in 2010. Subsequent to the acquisition of the property, the CRA agreed to provide additional construction and permanent financing up to \$3,450,000 (CRA Permanent Loan) inclusive of the CRA Preconstruction Loan. The loan is secured by a second lien deed of trust, subordinate to the MHP loan on the San Pedro Street Home property and rights to plans with interest at 3%. Interest and principal payments are to be repaid in annual installments in the form of service credits, as defined by the agreement, for a period of twenty years. DWC has recognized a service credit as debt forgiveness in the accompanying statement of activities in the amount of \$172,500 for the year ended December 31, 2012. While the CRA has not formally approved the payment, management believes they have fulfilled the requisite duties outlined in the agreement to earn the service credit for the year ended December 31, 2012. At December 31, 2012, the CRA Permanent Loan balance was \$3,105,000.

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 9 – Loans Payable (Continued)

In June 2009, the Center obtained additional financing from the Housing Authority of the County of Los Angeles (Housing Authority). The Housing Authority agreement provides for advances up to \$2,000,000 (Housing Authority San Pedro Street Home Loan), secured by a fourth-lien position deed of trust on the San Pedro Street Home property, subject to interest at 3%. Interest and principal repayments are due to the Housing Authority at 6.74% of residual receipts, if any, as defined by the agreement, of the leasing activities for the property payable through March 2065. It is not anticipated that the Center will have any residual receipts on the operation of the San Pedro Street Home that will activate the requirement to make cash repayments on the Housing Authority San Pedro Street Home Loan. At December 31, 2012, the Housing Authority San Pedro Street Home Loan balance was \$2,000,000.

In March 2012, the Center obtained additional financing from the Housing Authority. The Housing Authority agreement provides for advances up to \$1,395,282 (Housing Authority Los Angeles Street Home Loan), secured by a deed of trust on the Los Angeles Street Home property, subject to interest at 3%. Principal repayments are to be made in annual installments of 50% of residual receipts, as defined by the agreement, for the operating year that is two years earlier through June 1, 2066. It is not anticipated that the Center will have any residual receipts on the operation of the Los Angeles Street Home that will activate the requirement to make cash repayments on the Housing Authority Los Angeles Street Home Loan. At December 31, 2012, the outstanding balance was \$1,255,754. In February 2013, the Center was advanced an additional \$139,528.

The Center has a note payable of \$4,847,914 to the City of Los Angeles Home Fund (Home Fund Loan). The Home Fund Loan is secured by a third-lien position deed of trust on the San Pedro Street Home property, subject to interest at 5%. Interest and principal repayments are due to the city of Los Angeles at 26.92% of the residual receipts of the project as defined by the agreement, payable through June 2066. It is not anticipated that the Center will have any residual receipts on the operation of the San Pedro Street Home that will activate the requirement to make cash payments on the Home Fund Loan. At December 31, 2012, the Home Fund Loan balance was \$4,847,914.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 9 – Loans Payable (Continued)

The Center has obtained no interest financing from the Federal Home Loan Bank Affordable Housing program (AHP Loan) to finance construction on the San Pedro Street Home. The loan is secured by a deed of trust with assignment of rents, security agreement and fixture filing and is subordinate to the MHP, CRA Preconstruction and Permanent Loans, Housing Authority Loan, and Home Fund Loan. The loan will be forgiven November 2026 upon the Center fulfilling the restricted use requirements as defined in the agreement. At December 31, 2012, the AHP Loan balance was \$420,000.

In March 2012, the Center received proceeds in the amount of \$7,985,142 from MHP of which \$6,716,686 was used to fund repayment of a bank construction loan balance and related accrued interest. The MHP loan is secured by a first lien position deed of trust and assignment of rents on the San Pedro Street Home. The loan is subject to interest at 3% per annum and matures March 2067. The Center is required to make payments in an amount equal to the lesser of the full amount of interest accruing on the unpaid principal amount advanced for the preceding 12-month period, or the amount determined by MHP, to be necessary to cover the costs of continued monitoring of the compliance of the Center's MHP Program. These payments are required should the Center have net cash flow as described in the agreement. It is not anticipated the Center will have net cash flow from operations. In addition, the Center must make annual payments equal to .42% of the principal balance. Annual payments for the year ended December 31, 2012 were \$25,246.

Certain notes payable contain provisions for interest accrual and payment should the Center's operation generate residual receipts or net cash flow from operations. The Center does not anticipate generating income from operations requiring repayment of the accrued interest, but future repayment is reasonably possible.

Contingent interest payable associated with the forgivable debt as of December 31, 2012 is summarized below:

CRA Preconstruction and Permanent Loans	\$ 305,468
Housing Authority-San Pedro Street Home Loan	174,943
Housing Authority-Los Angeles Street Home Loan	10,607
Home Fund Loan	646,953
MHP Loan	<u>180,310</u>
Total contingent interest payable	<u>\$ 1,318,281</u>

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 10 – Commitments

Line of Credit

DWC has a line of credit agreement with a bank whereby it may borrow up to \$1,500,000 at the greater of 1.00% per year or the bank's prime rate minus 0.5%. The line of credit commitment expires September 2013. At December 31, 2012, there was no balance outstanding on the line of credit.

Operating Leases

The Center leases certain office equipment under operating leases expiring at various dates through February 2017. Future minimum rental payments are as follows:

<u>Year Ending December 31,</u>	
2013	\$ 29,287
2014	15,447
2015	15,447
2016	6,811
2017	<u>5,160</u>
	<u>\$ 72,152</u>

NOTE 11 – Rental Subsidy

The Center entered into an agreement with the Housing Authority that provides a rental subsidy to the Center for select units in its San Pedro Street Home through December 2025. The Housing Authority distributes funding provided by Federal Housing and Urban Development (HUD). The Housing Authority provides housing assistance payments (HAP) for units designated for families receiving supportive services. There are currently 66 units that are designated for use of HAP recipients. During the year ended December 31, 2012, the Center received \$568,893 in HAP payments.

DOWNTOWN WOMEN’S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 12 – Pension Plan

The Center has a defined contribution pension plan covering all eligible employees with two years of service. One percent of employee deferrals are matched 50% by the Center. The Center’s contributions to the plan totaled \$5,684 during the year ended December 31, 2012.

NOTE 13 – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2012 are summarized as follows:

Building fund	\$ 5,485,303
Clinical health services fund	733,685
Residence fund	133,305
Capacity building	50,000
Technology	15,531
Day Center fund	10,000
Other	<u>4,167</u>
	<u>\$ 6,431,991</u>

NOTE 14 – Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2012 consist of a permanent endowment of \$1,000,000 with investment income restricted for general operations of Project Home (“San Pedro Street Home Operations”), per the donor’s instructions.

The Center’s management and Board of Directors understand California State law as (1) requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 14 – Permanently Restricted Net Assets (Continued)

The primary long-term financial objective for the Center's endowment funds is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation, and costs of portfolio management. The endowment funds are also managed to optimize the long term total rate of return on invested assets, assuming a prudent level of risk. The Board of Directors of the Center has established a spending policy that distributes a specific payout rate of the endowment base. The endowment base is defined as a three-year moving average of the market value of the endowment portfolio. The distribution or payout rate is calculated at a specific fixed percentage (5%) of the base. Funds not withdrawn in any one year will continue to be available in subsequent years. Disbursements from the Project Home fund are limited to earnings from the fund each year.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AT DECEMBER 31, 2012:				
Donor restricted	<u>None</u>	<u>None</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
CHANGES IN ENDOWMENT NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2012:				
Endowment net assets, beginning of year			\$ 1,000,000	\$ 1,000,000
Investment earnings		\$ 14,740		14,740
Appropriation for expenditure		(14,740)		(14,740)
Endowment net assets, end of year	<u>None</u>	<u>None</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 15 – Supplemental Disclosure of Cash Flow Information

Cash paid during the year ended December 31, 2012 for:

Interest	\$	25,690
Income taxes		None

Noncash Financing Activity

During the year ended December 31, 2012, the Center refinanced a construction loan having a principal balance of \$6,309,306 and accrued interest of \$407,380 with proceeds totaling \$6,716,686 from the MHP loan. (See Note 9.)

NOTE 16 – Subsequent Event

In November 2013, management received clarifying guidance from MHP concerning reserve requirements under terms of the MHP financing agreement. As a result of this guidance, for the year ended December 31, 2012, the Center funded \$80,000 toward its MHP transition reserve relating to an annual funding obligation and \$17,493 toward operating and replacement reserves resulting primarily from determination of excess cash flows. See Note 4 for details of reserves maintained by the Center.

DOWNTOWN WOMEN'S CENTER

**SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012**

	<u>DWC</u>	<u>LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Cash and cash equivalents	\$ 394,816	\$ 28,207		\$ 423,023
Investments	2,659,669			2,659,669
Accounts receivable, net	337,436	8,895		346,331
Promises to give, net	1,366,284			1,366,284
Prepays and other assets	56,202	23,512	(\$ 23,512)	56,202
Restricted cash	186,008	655,621		841,629
Property and equipment, net	5,839,579	28,440,340		34,279,919
Investment in LLC	<u>10,796,469</u>	<u> </u>	<u>(10,796,469)</u>	<u> </u>
TOTAL ASSETS	<u>\$ 21,636,463</u>	<u>\$ 29,156,575</u>	<u>(\$ 10,819,981)</u>	<u>\$ 39,973,057</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 746,890	\$ 2,050	(\$ 23,512)	\$ 725,428
Loans payable	<u>1,255,754</u>	<u>18,358,056</u>		<u>19,613,810</u>
Total Liabilities	<u>2,002,644</u>	<u>18,360,106</u>	<u>(23,512)</u>	<u>20,339,238</u>
NET ASSETS AND MEMBER'S EQUITY				
Total Net Assets and Member's Equity	<u>19,633,819</u>	<u>10,796,469</u>	<u>(10,796,469)</u>	<u>19,633,819</u>
TOTAL LIABILITIES, NET ASSETS AND MEMBER'S EQUITY	<u>\$ 21,636,463</u>	<u>\$ 29,156,575</u>	<u>(\$ 10,819,981)</u>	<u>\$ 39,973,057</u>

See Independent Auditor's Report

DOWNTOWN WOMEN'S CENTER

**SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>DWC</u>	<u>LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
SUPPORT AND REVENUES:				
Support:				
Grant income	\$ 2,073,522			\$ 2,073,522
Contributions	573,618	\$ 4,122	(\$ 4,122)	573,618
Capital campaign	1,879,653			1,879,653
Special event income (net of direct expense of \$114,813)	374,438			374,438
In-kind support	650,391			650,391
Debt forgiveness		172,500		172,500
Total Support	<u>5,551,622</u>	<u>176,622</u>	<u>(4,122)</u>	<u>5,724,122</u>
Other Revenues:				
Interest and dividends	47,763	604		48,367
Net gain on investments	191,432			191,432
Loss on disposal of assets	(78,578)			(78,578)
Rental income	729,367	718,461	(718,322)	729,506
Social enterprise income	139,072			139,072
Other revenues	7,847			7,847
Total Other Revenues	<u>1,036,903</u>	<u>719,065</u>	<u>(718,322)</u>	<u>1,037,646</u>
Total Support and Other Revenues	<u>6,588,525</u>	<u>895,687</u>	<u>(722,444)</u>	<u>6,761,768</u>
EXPENSES:				
Program services	3,932,162	1,291,958	(722,444)	4,501,676
Fundraising	524,636	33,013		557,649
Management and general	586,499	120,552		707,051
Total Expenses	<u>5,043,297</u>	<u>1,445,523</u>	<u>(722,444)</u>	<u>5,766,376</u>
CHANGE IN NET ASSETS AND MEMBER'S EQUITY	1,545,228	(549,836)		995,392
EQUITY ADJUSTMENT TO LLC INVESTMENT	(549,836)		549,836	
RETURN OF CAPITAL		(1,075,594)	1,075,594	
NET ASSETS AND MEMBER'S EQUITY, BEGINNING OF YEAR	<u>18,638,427</u>	<u>12,421,899</u>	<u>(12,421,899)</u>	<u>18,638,427</u>
NET ASSETS AND MEMBER'S EQUITY, END OF YEAR	<u>\$ 19,633,819</u>	<u>\$ 10,796,469</u>	<u>(\$ 10,796,469)</u>	<u>\$ 19,633,819</u>

See Independent Auditor's Report

DOWNTOWN WOMEN'S CENTER

**SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>DWC</u>	<u>LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 995,392	(\$ 549,836)	\$ 549,836	\$ 995,392
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Stock donations received	(17,457)			(17,457)
Contribution of building improvements	(80,801)			(80,801)
Gain on investments	(191,432)			(191,432)
Loss on disposal of assets	78,578			78,578
Equity adjustment in LLC	549,836		(549,836)	
Forgiveness of loan		(172,500)		(172,500)
Capital campaign activities	(1,879,653)			(1,879,653)
Depreciation	40,027	630,971		670,998
Changes in:				
Accounts receivable	5,954	(8,895)		(2,941)
Promises to give, net	(338,625)			(338,625)
Prepays and other assets	28,770	(21,515)	23,469	30,724
Accounts payable and accrued expenses	409,815	33,563	(23,469)	419,909
Net Cash Used In Operating Activities	<u>(399,596)</u>	<u>(88,212)</u>		<u>(487,808)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments	1,620,741			1,620,741
Purchases of investments	(2,222,004)			(2,222,004)
Purchase of property and equipment	(237,311)	(4,122)		(241,433)
Construction and building development costs	(4,593,705)			(4,593,705)
Return of capital	1,075,594		(1,075,594)	
Net Cash Used In Investing Activities	<u>(4,356,685)</u>	<u>(4,122)</u>	<u>(1,075,594)</u>	<u>(5,436,401)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans	1,069,746	1,054,135		2,123,881
Proceeds from capital campaign	2,345,248			2,345,248
Return of capital		(1,075,594)	1,075,594	
Net Cash Provided By (Used In) Financing Activities	<u>3,414,994</u>	<u>(21,459)</u>	<u>1,075,594</u>	<u>4,469,129</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,341,287)	(113,793)		(1,455,080)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,736,103</u>	<u>142,000</u>		<u>1,878,103</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 394,816</u>	<u>\$ 28,207</u>		<u>\$ 423,023</u>

See Independent Auditor's Report