



**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010
WITH SUMMARY COMPARATIVE INFORMATION FOR 2009**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Downtown Women's Center (the Center), a Nonprofit Corporation, as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the 2009 financial statements of the Downtown Women's Center.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, 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 present fairly, in all material respects, the financial position of Downtown Women's Center as of December 31, 2010, 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.

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements of the Center as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Center. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Windes & McCaughey". The signature is written in black ink and is positioned below the main body of text.

Long Beach, California
July 13, 2011

DOWNTOWN WOMEN'S CENTER

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010 WITH COMPARATIVE TOTALS FOR 2009**

ASSETS

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total 2010</u> | <u>Total 2009</u> |
|---------------------------|-----------------------------|-----------------------------------|-----------------------------------|-----------------------------|-----------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 286,938 | \$ 196,779 | \$ 1,000,000 | \$ 1,483,717 | \$ 2,319,794 |
| Investments | 2,131,502 | 325,917 | | 2,457,419 | 5,922,511 |
| Promises to give | 92,520 | 1,490,037 | | 1,582,557 | 912,217 |
| Prepays and other assets | 159,717 | | | 159,717 | 38,055 |
| Deposits | 4,700 | | | 4,700 | 5,690 |
| Property and equipment | <u>25,072,908</u> | <u>5,480,000</u> | | <u>30,552,908</u> | <u>14,914,782</u> |
| TOTAL ASSETS | <u>\$ 27,748,285</u> | <u>\$ 7,492,733</u> | <u>\$ 1,000,000</u> | <u>\$ 36,241,018</u> | <u>\$ 24,113,049</u> |

LIABILITIES AND NET ASSETS

| | | | | | |
|---|-----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| LIABILITIES | | | | | |
| Accounts payable and accrued expenses | \$ 251,494 | | | \$ 251,494 | \$ 58,455 |
| Accrued interest | 252,347 | | | 252,347 | 40,241 |
| Accrued construction costs | 543,009 | | | 543,009 | 1,059,800 |
| Retentions payable | 1,849,133 | | | 1,849,133 | 447,718 |
| Loans payable | <u>14,393,305</u> | | | <u>14,393,305</u> | <u>4,617,440</u> |
| Total Liabilities | <u>17,289,288</u> | | | <u>17,289,288</u> | <u>6,223,654</u> |
| COMMITMENTS (Note 8) | | | | | |
| NET ASSETS | <u>10,458,997</u> | <u>\$ 7,492,733</u> | <u>\$ 1,000,000</u> | <u>18,951,730</u> | <u>17,889,395</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 27,748,285</u> | <u>\$ 7,492,733</u> | <u>\$ 1,000,000</u> | <u>\$ 36,241,018</u> | <u>\$ 24,113,049</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, 2010
WITH COMPARATIVE TOTALS FOR 2009**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total 2010</u> | <u>Total 2009</u> |
|---|----------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| SUPPORT AND REVENUES: | | | | | |
| Support: | | | | | |
| Grant income | \$ 429,067 | \$ 503,065 | | \$ 932,132 | \$ 687,333 |
| Contributions | 242,506 | | | 242,506 | 5,775,774 |
| Capital campaign | | 2,788,456 | | 2,788,456 | 1,046,658 |
| Special event income (net of direct expense of \$61,095 and \$47,369) | 145,559 | | | 145,559 | 237,280 |
| In-kind support | 518,649 | | | 518,649 | 234,898 |
| Total Support | <u>1,335,781</u> | <u>3,291,521</u> | | <u>4,627,302</u> | <u>7,981,943</u> |
| Other Revenues: | | | | | |
| Interest and dividends | 26,816 | | | 26,816 | 109,183 |
| Net realized and unrealized gains on investments | 117,673 | | | 117,673 | 201,535 |
| Apartment rental income | 87,220 | | | 87,220 | 97,138 |
| Laundry | 1,612 | | | 1,612 | 2,949 |
| Other revenues | 6,429 | | | 6,429 | |
| Net assets released from restrictions | 6,940,367 | (6,940,367) | | | |
| Total Other Revenues | <u>7,180,117</u> | <u>(6,940,367)</u> | | <u>239,750</u> | <u>410,805</u> |
| Total Support and Other Revenues | <u>8,515,898</u> | <u>(3,648,846)</u> | | <u>4,867,052</u> | <u>8,392,748</u> |
| EXPENSES: | | | | | |
| Program services | 2,770,166 | | | 2,770,166 | 1,591,716 |
| Fund-raising | 311,837 | | | 311,837 | 206,343 |
| Capital campaign | 128,407 | | | 128,407 | 261,170 |
| Management and general | 594,307 | | | 594,307 | 147,153 |
| Total Expenses | <u>3,804,717</u> | | | <u>3,804,717</u> | <u>2,206,382</u> |
| CHANGE IN NET ASSETS | 4,711,181 | (3,648,846) | | 1,062,335 | 6,186,366 |
| TRANSFERS (Note 11) | | (1,000,000) | \$ 1,000,000 | | |
| NET ASSETS, BEGINNING OF YEAR | <u>5,747,816</u> | <u>12,141,579</u> | | <u>17,889,395</u> | <u>11,703,029</u> |
| NET ASSETS, END OF YEAR | <u>\$ 10,458,997</u> | <u>\$ 7,492,733</u> | <u>\$ 1,000,000</u> | <u>\$ 18,951,730</u> | <u>\$ 17,889,395</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, 2010
WITH COMPARATIVE TOTALS FOR 2009**

| | <u>Program Services</u> | <u>Fund-raising</u> | <u>Capital Campaign</u> | <u>Management and General</u> | <u>2010</u> | <u>2009</u> |
|---|-----------------------------|---------------------|-----------------------------|---------------------------------------|---------------------|---------------------|
| Salaries | \$ 1,086,999 | \$ 157,986 | \$ 88,234 | \$ 231,795 | \$ 1,565,014 | \$ 1,041,586 |
| Benefits | 328,466 | 47,740 | | 80,888 | 457,094 | 268,748 |
| In-kind – Program Supplies and Services | 402,752 | 27,326 | 13,000 | 3,400 | 446,478 | 181,760 |
| In-kind – Project Home Furnishings | 46,995 | | 1,898 | 2,532 | 51,425 | |
| In-kind – Technology | 17,954 | 448 | 1,895 | 448 | 20,745 | 53,138 |
| Utilities, telephone and facilities | 192,261 | 6,941 | | 30,366 | 229,568 | 86,913 |
| Miscellaneous | 55,889 | 1,247 | | 86,187 | 143,323 | 25,886 |
| Day Center | 126,159 | | | | 126,159 | 127,784 |
| Promotion and awareness | 55,517 | 21,279 | 22,532 | 22,473 | 121,801 | 158,450 |
| Residence | 116,498 | | | | 116,498 | 30,766 |
| Rent | 42,639 | 6,396 | 711 | 21,320 | 71,066 | 56,648 |
| Office supplies | 58,988 | 3,151 | | 4,623 | 66,762 | 22,087 |
| Consulting | 29,418 | | | 29,418 | 58,836 | 4,512 |
| Depreciation | 42,035 | 6,109 | | 8,964 | 57,108 | 15,329 |
| Technology | 42,033 | 6,110 | | 8,963 | 57,106 | 19,870 |
| Repairs and maintenance | 45,566 | 1,673 | | 1,673 | 48,912 | 36,950 |
| Accounting and legal | | | | 48,569 | 48,569 | 14,298 |
| Transportation | 24,558 | 4,055 | | 5,200 | 33,813 | 6,319 |
| Insurance | 19,208 | 2,792 | | 4,096 | 26,096 | 13,161 |
| Printing | 8,700 | 14,389 | 61 | 2,242 | 25,392 | 31,316 |
| Staff training | 23,958 | | | | 23,958 | 4,900 |
| Postage | 3,573 | 4,195 | 76 | 1,150 | 8,994 | 5,961 |
| | <u>\$ 2,770,166</u> | <u>\$ 311,837</u> | <u>\$ 128,407</u> | <u>\$ 594,307</u> | <u>\$ 3,804,717</u> | <u>\$ 2,206,382</u> |

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, | |
| | <u>2010</u> | <u>2009</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,062,335 | \$ 6,186,366 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Contribution of land and building | | (5,480,000) |
| Capital campaign activities | (2,850,414) | (1,874,289) |
| Depreciation | 57,108 | 15,329 |
| Unrealized and realized gain on investments | (117,673) | (201,535) |
| (Increase) decrease in: | | |
| Promises to give | (1,182,248) | 1,859,138 |
| Prepays and other assets | (121,662) | (20,646) |
| Deposits | 990 | (115) |
| Increase (decrease): | | |
| Accounts payable and accrued expenses | 193,039 | (65,672) |
| Net Cash Provided By (Used In) | | |
| Operating Activities | (<u>2,958,525</u>) | <u>418,576</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 19,635,922 | 11,396,860 |
| Purchases of investments | (16,053,157) | (14,262,094) |
| Purchase of property and equipment | (323,106) | (19,522) |
| Construction and building development costs | (4,499,533) | (848,374) |
| Net Cash Used In Investing Activities | (<u>1,239,874</u>) | (<u>3,733,130</u>) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Capital campaign, net of fund-raising | <u>3,362,322</u> | <u>2,016,601</u> |
| Net Cash Provided By Financing Activities | <u>3,362,322</u> | <u>2,016,601</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (836,077) | (1,297,953) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>2,319,794</u> | <u>3,617,747</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 1,483,717</u> | <u>\$ 2,319,794</u> |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES: | | |
| Acquisition of property, plant and equipment through accrued constructions costs and retentions payable | \$ 1,944,424 | \$ 1,507,518 |
| Acquisition of property, plant and equipment through issuance of loans payable | \$ 8,716,065 | \$ 3,667,440 |

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, 2010

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.

DWC, a non-profit organization located in the heart of downtown Los Angeles Skid Row, offers meals, permanent housing, and supportive services to homeless and extremely low-income women. Our diverse and comprehensive programs provide the women we serve with resources they need to reclaim their self-esteem and achieve personal goals lost in the day-to-day struggle for survival on the streets. Nationally recognized as a model of effective services, DWC remains the only local resource on Skid Row that is singularly dedicated to addressing the unique needs of homeless women.

For 32 years, DWC's flagship Day Center has successfully served our mission, offering meals and supportive resources on a drop-in basis to homeless and extremely low-income women, while our adjacent Residence provided forty-seven permanent, supportive apartments for formerly homeless women who are primarily elderly, mentally and/or physically disabled. In December 2010, DWC opened Project Home; our Day Center nearly doubled in size and our residence grew to seventy-one units. Within these signature programs, we offer:

- ***Health Outreach Initiative*** - outreach; health education workshops; prevention, screening and clinical treatment services; violence prevention; wellness promotion; and holistic healing
- ***Education and Workforce Development*** - literacy, GED, resume writing and computer skills classes; workforce skills enhancement; and employment preparation program
- ***Arts and Enrichment Programs*** - life skills, creative writing, drama, and art classes; tending library
- ***Volunteer Program*** – community building, wellness-enhancing, and skill-developing resources made available to DWC participants by a network of individuals who volunteer their time to support DWC's direct service, fund-raising, and advocacy efforts

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2010

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 Residence. 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. Some are second-generation homeless and have never experienced the stability of a home life, while others gravitated to Skid Row as a consequence of domestic violence, aging out of foster care, or mental illness developed in their youth; still others maintain low-wage jobs in local domestic and service industries. A growing population of newly homeless women – with distinct housing, employment, and mental health needs – have also arrived on Skid Row as a result of the recent economic downturn.

In 2010, the following milestones were achieved; DWC:

- provided over 56,000 meals to those in need.
- created a safe oasis for 2,500 homeless women and a permanent supportive home for 47 formerly homeless women.
- offered 23,000 showers, 1,300 day-rest beds, and 2,400 changes of clothes.
- provided more than 1,000 women with case management and outreach support to help them move toward personal stability.
- offered health education, screenings, and treatment to over 600 homeless and extremely low-income women.
- provided literacy education and employment preparation to more than 280 women.
- offered a Continuing Services Program to help women transition from DWC services to greater independence and also to provide enhanced support to women dealing with chronic and/or terminal illness.
- surpassed 21,900 annual volunteer hours and 1,800 volunteers.
- opened *Project Home* in December, expanding DWC's ability to effect change by increasing our Day Center and Residence capacities, launching Skid Row's first medical and mental health clinic for women, creating an innovative job training/social enterprise program, and doing so in an environmentally sustainable GREEN building.

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2010

NOTE 2 – Summary of Significant Accounting Policies

Principles of Consolidation

The Downtown Women's Center LLC (LLC), a wholly owned subsidiary of DWC, was formed in January 2009 as a sole member California limited liability corporation 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/or 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, and realized and unrealized earnings from the invested corpus.

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2010

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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 financial statements for the year ended December 31, 2009 from which the summarized information was derived.

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, and promises to give.

Cash and Cash Equivalents

For the purpose of the statements 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 statements 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.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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.

Retentions Payable

Retentions payable represents amounts payable to contractors that are contractually withheld by the Center until completion of the construction contract.

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2010

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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 statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

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, 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.

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2010

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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 non-financial 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 \$518,739 for donated food, clothing and household items, furnishings, auction and holiday items and professional services during the year ended December 31, 2010. Donated volunteer services are not reflected in the accompanying consolidated financial statements; however, in 2010, more than 1,800 volunteers donated 21,832 hours in support of DWC's program services, management, and fund-raising activities, valued at an estimated \$467,149. (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 in California - as determined by the Bureau of Labor Statistics - and increased by 12 percent to estimate for fringe benefits.)

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 based upon the relative benefit received.

Fund-raising Expense

DWC has been involved with a capital campaign for the development of the new facility. Expenses associated with this campaign are included in the consolidated statement of functional expense under fund-raising.

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.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Tax Status (Continued)

The LLC is a limited liability company 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 July 13, 2011, the date the consolidated financial statements were available to be issued for the year ended December 31, 2010.

NOTE 3 – Investments

Investments at December 31, 2010 consist of the following:

| | <u>Cost</u> | <u>Fair Value</u> |
|----------------------|---------------------|---------------------|
| Fixed income | \$ 455,053 | \$ 472,479 |
| Equities | 1,060,863 | 1,184,956 |
| Commercial paper | 314,534 | 314,811 |
| US agency securities | 99,996 | 100,792 |
| Corporate bonds | <u>376,786</u> | <u>384,381</u> |
| | <u>\$ 2,307,232</u> | <u>\$ 2,457,419</u> |

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2010

NOTE 4 – 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.

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.

Promises to give – The fair value of contributions is equal to the carrying value for contributions expected to be collected within one year. Contributions expected to be collected in future periods are discounted to present value based on management's assumptions.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 4 – Fair Value Hierarchy (Continued)

The following table presents assets at December 31, 2010 that are measured at fair value on a recurring basis:

| | <u>Fair Value Measurements at Reporting Date</u> | | | <u>Total</u> |
|----------------------|--|-----------------------------|-----------------------------|-----------------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | |
| Assets: | | | | |
| Investments | | | | |
| Fixed income | \$ 472,479 | | | \$ 472,479 |
| Equities | 1,184,956 | | | 1,184,956 |
| Commercial paper | | \$ 314,811 | | 314,811 |
| US agency securities | | 100,792 | | 100,792 |
| Corporate bonds | | 384,381 | | 384,381 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | <u>\$ 1,657,435</u> | <u>\$ 799,984</u> | <u>None</u> | <u>\$ 2,457,419</u> |

NOTE 5 – Promises to Give

The Center anticipates collection of outstanding pledges receivable at December 31, 2010 as follows:

| | |
|------------------------------------|---------------------|
| Receivable in one year | \$ 1,532,695 |
| Receivable in two to four years | <u>53,775</u> |
| | 1,586,470 |
| Less discount to present value | (<u>3,913</u>) |
| Net unconditional promises to give | <u>\$ 1,582,557</u> |

The discount rate used on long-term promises to give is 2.75% to 5%. Management has determined that all amounts are collectible, and no allowance for uncollectible pledges is required.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 6 – Property and Equipment

Property and equipment at December 31, 2010 consists of the following:

| | | <u>Estimated Useful Lives</u> |
|-------------------------------|----------------------|-----------------------------------|
| Land | \$ 6,070,500 | |
| Building and improvements | 26,684,019 | 39.5 years |
| Furniture and equipment | <u>533,912</u> | 5-20 years |
| | 33,288,431 | |
| Less accumulated depreciation | (<u>2,933,047</u>) | |
| | 30,355,384 | |
| Construction in progress | <u>197,524</u> | |
| | <u>\$30,552,908</u> | |

Construction in Progress

Included in construction in progress at December 31, 2010 was approximately \$157,000 in planning, consultant and preliminary construction costs for retail space located at 438 South San Pedro Street. The retail space was completed in March 2011 with a total project cost of approximately \$278,000. Also, included in construction in progress was approximately \$40,000 in planning and permitting costs for the renovation of the Center's Los Angeles Street properties.

Renaissance Building

During February 2009, the City of Los Angeles donated land and building (the Renaissance Building) to be used by the Center to expand program services. The six-story Renaissance Building 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 creates 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.

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2010

NOTE 6 – Property and Equipment (Continued)

Renaissance Building (Continued)

The Center reports the donated Renaissance Building property at its estimated fair value of \$5,480,000 as a temporarily restricted asset. The estimated fair value is based on the value assigned to the property by the Los Angeles County property tax assessor's office at the time of transfer.

In conjunction with the development of the Renaissance Building site, 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.

NOTE 7 – Loans Payable

Loans payable at December 31, 2010 consists of the following:

| | |
|------------------------|---------------------|
| CRA Permanent Loan | \$ 3,229,324 |
| Housing Authority Loan | 1,835,999 |
| Home Fund Loan | 4,364,144 |
| Bank Loan | <u>4,963,838</u> |
| | <u>\$14,393,305</u> |

The Center 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. 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 deed of trust on the Renaissance Building 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. At December 31, 2010, the CRA Permanent Loan balance was \$3,229,324.

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2010

NOTE 7 – 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 Loan), secured by a deed of trust on the 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 DWC Residence that will activate the requirement to make cash repayments on the Housing Authority Loan. At December 31, 2010, the Housing Authority Loan balance was \$1,835,999.

The Center has secured financing of up to \$4,847,814 from the City of Los Angeles Home Fund (Home Fund Loan). The Home Fund Loan is secured by a deed of trust on the 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 January 2067. It is not anticipated that the Center will have any residual receipts on the operation of the DWC Residence that will activate the requirement to make cash payments on the Home Fund Loan. At December 31, 2010, the Home Fund Loan balance was \$4,364,144.

The Center has secured financing up to \$7,330,099 from a lender (Bank Loan). The Bank Loan is secured by the property, subject to interest at 4.5%, payable in full December 2011. At December 31, 2010, the Bank Loan balance was \$4,963,838.

The CRA Permanent Loan, Housing Authority Loan, and Home Fund Loan are subordinated to the Bank Loan. The Center anticipates a loan from the California Housing and Community Development Department's Multifamily Housing Program (MHP) will fund repayment of the Bank Loan. The MHP loan is unfunded at December 31, 2010. MHP will only be subject to repayment should the Center incur residual receipts on the operation of the DWC Residence and, as stated above, residual receipts are not anticipated.

The Center capitalized \$212,106 of interest costs incurred on loans during the year ended December 31, 2010.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 8 – Commitments

Operating Leases

The Center leases various office equipment under operating leases expiring February 2016. Future minimum rental payments are as follows:

| <u>Year Ending December 31,</u> | |
|--|------------------|
| 2011 | \$ 25,114 |
| 2012 | 24,364 |
| 2013 | 18,919 |
| 2014 | 9,531 |
| 2015 | 9,531 |
| Thereafter | <u>1,588</u> |
| | <u>\$ 89,047</u> |

NOTE 9 – Pension Plan

The Center implemented a defined contribution pension plan in May 2009 covering all eligible employees who worked at DWC for two years. One percent of employee deferrals are matched 50% by the Center. There were \$5,827 in contributions to the Plan during the year ended December 31, 2010.

NOTE 10 – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2010 are summarized as follows:

| | |
|--|---------------------|
| Project Home building and program fund | \$ 7,040,245 |
| Clinical health services fund | 382,822 |
| Day Center operating funds | 12,396 |
| Bridge fund | 46,920 |
| Education and workforce development fund | <u>10,350</u> |
| | <u>\$ 7,492,733</u> |

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 11 – Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2010 are summarized as follows:

| | |
|-------------------------------|---------------------|
| Project Home – endowment fund | <u>\$ 1,000,000</u> |
|-------------------------------|---------------------|

During 2010, the Center obtained communication from a donor to establish an endowment from funds previously donated to support the Capital Campaign. These funds were transferred from the temporarily restricted fund to the permanent endowment fund in 2010. On a go-forward basis, the earnings will be used to support the operations of the Downtown Women's Center.

DOWNTOWN WOMEN'S CENTER

**SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010**

| | <u>DWC</u> | <u>LLC</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|--|----------------------|----------------------|-----------------------|----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,376,509 | \$ 107,208 | | \$ 1,483,717 |
| Investments | 2,457,419 | | | 2,457,419 |
| Investment in LLC | 12,925,015 | | (\$12,925,015) | |
| Promises to give | 1,582,557 | | | 1,582,557 |
| Prepays and other assets | 159,717 | | | 159,717 |
| Deposits | 4,700 | | | 4,700 |
| Property and equipment | <u>733,271</u> | <u>29,819,637</u> | | <u>30,552,908</u> |
| TOTAL ASSETS | <u>\$ 19,239,188</u> | <u>\$ 29,926,845</u> | <u>(\$12,925,015)</u> | <u>\$ 36,241,018</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | \$ 233,807 | \$ 17,687 | | \$ 251,494 |
| Accrued interest | | 252,347 | | 252,347 |
| Accrued construction costs | | 543,009 | | 543,009 |
| Retentions payable | | 1,849,133 | | 1,849,133 |
| Loan payable | | <u>14,393,305</u> | | <u>14,393,305</u> |
| Total Liabilities | <u>233,807</u> | <u>17,055,481</u> | | <u>17,289,288</u> |
| NET ASSETS AND MEMBER'S EQUITY | | | | |
| Total Net Assets and Member's Equity | <u>19,005,381</u> | <u>12,871,364</u> | <u>(\$12,925,015)</u> | <u>18,951,730</u> |
| TOTAL LIABILITIES, NET ASSETS AND MEMBER'S EQUITY | <u>\$ 19,239,188</u> | <u>\$ 29,926,845</u> | <u>(\$12,925,015)</u> | <u>\$ 36,241,018</u> |

See Independent Auditor's Report

DOWNTOWN WOMEN'S CENTER

**SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS AND MEMBER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | <u>DWC</u> | <u>LLC</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|--|----------------------|----------------------|-----------------------|----------------------|
| SUPPORT AND REVENUES: | | | | |
| Support: | | | | |
| Grant income | \$ 932,132 | | | \$ 932,132 |
| Contributions | 242,506 | | | 242,506 |
| Capital campaign | 2,788,456 | | | 2,788,456 |
| Special event income (net of direct expense of \$61,095) | 145,559 | | | 145,559 |
| In-kind support | 518,649 | | | 518,649 |
| Total Support | <u>4,627,302</u> | | | <u>4,627,302</u> |
| Other Revenues: | | | | |
| Interest and dividends | 26,816 | | | 26,816 |
| Net realized and unrealized gains on investments | 117,673 | | | 117,673 |
| Apartment rental income | 87,220 | | | 87,220 |
| Laundry | 1,612 | | | 1,612 |
| Other revenues | 6,429 | | | 6,429 |
| Total Other Revenues | <u>239,750</u> | | | <u>239,750</u> |
| Total Support and Other Revenues | <u>4,867,052</u> | | | <u>4,867,052</u> |
| EXPENSES: | | | | |
| Program services | 2,731,415 | \$ 38,751 | | 2,770,166 |
| Fund-raising | 306,600 | 5,237 | | 311,837 |
| Capital campaign | 128,407 | | | 128,407 |
| Management and general | 584,644 | 9,663 | | 594,307 |
| Total Expenses | <u>3,751,066</u> | <u>53,651</u> | | <u>3,804,717</u> |
| CHANGE IN NET ASSETS AND MEMBER'S EQUITY | 1,115,986 | (53,651) | | 1,062,335 |
| CONTRIBUTIONS | | 4,869,430 | (\$ 4,869,430) | |
| NET ASSETS AND MEMBER'S EQUITY, BEGINNING OF YEAR | <u>17,889,395</u> | <u>8,055,585</u> | <u>(8,055,585)</u> | <u>17,889,395</u> |
| NET ASSETS AND MEMBER'S EQUITY, END OF YEAR | <u>\$ 19,005,381</u> | <u>\$ 12,871,364</u> | <u>(\$12,925,015)</u> | <u>\$ 18,951,730</u> |

See Independent Auditor's Report