YWCA OF GREATER LAWRENCE, INC.

CONSOLIDATED
FINANCIAL STATEMENTS
YEARS ENDED
JUNE 30, 2014 AND 2013
AND
INDEPENDENT AUDITOR'S REPORT

WALSH & CO.

ACCOUNTANTS & CONSULTANTS

YWCA OF GREATER LAWRENCE, INC.

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WALSH & CO.
ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

Board of Directors
YWCA of Greater Lawrence, Inc.

We have audited the accompanying consolidated financial statements of the YWCA of Greater Lawrence, Inc. (a non-profit corporation), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of income and changes in net assets, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 from 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 in 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 the 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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the YWCA of Greater Lawrence, Inc. as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated October 20, 2014, on our consideration of the YWCA of Greater Lawrence, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the YWCA of Greater Lawrence, Inc.'s internal control over financial reporting and compliance.

October 20, 2014

Walsh & Co.

YWCA OF GREATER LAWRENCE, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2014 AND 2013

	2014	2013
ASSETS:		
Current Assets:		
Cash and cash equivalents	$ 1,155,520	$ 1,190,729
Accounts receivable-programs	576,776	538,122
Investments	458,578	14,702
Prepaid expenses and deposits	57,425	35,052
Total Current Assets	2,248,299	1,778,605
Fixed Assets:		
Land and buildings	4,095,724	3,070,663
Equipment	491,646	491,646
Motor vehicle	17,175	17,175
Total Fixed Assets	4,604,545	3,579,484
Less: Allowance for depreciation	2,124,542	2,004,148
Property and Equipment, net	2,480,003	1,575,336
Accrued interest on note receivable-FINA House, LLC	44,326	41,289
Note receivable FINA House (Developer Loan)	56,854	56,854
Note receivable FINA House (McKinney Loan)	311,381	303,429
Total Assets	$ 5,140,863	$ 3,755,513
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued expenses	$ 598,881	$ 496,713
Deferred revenue - programs	430,546	393,791
Deferred revenues – FINA House, LLC	248,000	248,000
Total Current Liabilities	1,277,427	1,138,504
Noncurrent Liabilities:		
Mortgage and note payable	126,903	126,903
FINA House developer note payable	56,854	56,854
Note payable - McKinney	311,381	303,429
Total Noncurrent Liabilities	495,138	487,186
Total Liabilities	1,772,565	1,625,690
Commitment and contingencies		
Net Assets		
Unrestricted	3,368,298	1,957,612
Temporarily restricted		172,211
Total Net Assets	3,368,298	2,129,823
Total Liabilities and Net Assets	$ 5,140,863	$ 3,755,513

See accompanying notes.

YWCA OF GREATER LAWRENCE, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014 Unrestricted	2014 Temporarily Restricted	2014 Totals	2013 Unrestricted	2013 Temporarily Restricted	2013 Totals
Support and Revenue:						
Merrimack Valley United Fund, Inc.						
Allotment	$ 83,236		$ 83,236	$ 82,160		$ 82,160
Grants	201,020		201,020	299,359		299,359
Program service fees	4,838,356		4,838,356	4,086,156		4,086,156
Gifts and contributions	339,639		339,639	320,123	$ 13,000	333,123
Investment return	10,427		10,427	11,531		11,531
Other	22,195		22,195	17,301		17,301
Net assets released from restrictions	172,211	$ (172,211)		75,941	(75,941)	
Total Support and Revenue	5,667,084	(172,211)	5,494,873	4,892,571	(62,941)	4,829,630
Expenses:						
Program services:						
Counseling services	1,281,323		1,281,323	714,680		714,680
Children's Center	2,094,366		2,094,366	1,962,946		1,962,946
Girls Club	57,453		57,453	110,898		110,898
Health promotions	474,094		474,094	491,378		491,378
Residency	889,110		889,110	824,477		824,477
Community learning	2,971		2,971	6,337		6,337
Total Program Services	4,799,317		4,799,317	4,110,716		4,110,716
Supporting Services:						
General and administrative	671,107		671,107	718,734		718,734
Total Expenses	5,470,424		5,470,424	4,829,450		4,829,450
Change in Net Assets before changes related to transfer of net assets from Haverhill YWCA	196,660	(172,211)	24,449	63,121	(62,941)	180
Excess of Net Assets transferred from Haverhill YWCA	1,214,026		1,214,026			
Change in Net Assets	1,410,686	(172,211)	1,238,475	63,121	(62,941)	180
Net Assets, Beginning of year	1,957,612	172,211	2,129,823	1,894,491	235,152	2,129,643
Net Assets, End of Year	$ 3,368,298	$	$ 3,368,298	$ 1,957,612	$ 172,211	$ 2,129,823

See accompanying notes.

YWCA OF GREATER LAWRENCE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities:		
Cash received from support and revenue	$ 6,693,536	$ 4,746,167
Cash paid to suppliers and employees	(5,270,235)	(4,821,697)
Investment income received	10,427	11,531
Net Cash (Used In) Provided by Operating Activities	1,433,728	(63,999)
Cash Flows from Investing Activities:		
Capital expenditures –including Building from Haverhill	(1,025,061)	(79,280)
Increase in note receivable FINA House (McKinney Loan)	(7,952)	(3,870)
Unrealized (Gain) Loss on investment	(691)	(628)
Purchase investment after Haverhill acquisition	(443,185)	
Net Cash Used in Investing Activities	(1,476,889)	(83,778)
Cash Flows from Financial Activities:		
Borrowing on note payable	7,952	3,870
Net Cash Used by Financing Activities	7,952	3,870
Decrease in Cash and Cash Equivalents	(35,209)	(143,907)
Cash and Cash Equivalents, Beginning of Year	1,190,729	1,334,636
Cash and Cash Equivalents, End of Year	$ 1,155,520	$ 1,190,729
Reconciliation of Increase (Decrease) in Net Assets To Cash Flows – Operating Activities:		
Increase in Net Assets	$ 1,238,475	$ 180
Adjustments to Reconcile Increase in Net Assets To Net Cash Provided By Operating Activities:		
Depreciation	120,394	110,878
Increase in accounts receivable – programs	(38,654)	(121,214)
Increase in prepaid expenses	(22,373)	(3,576)
Increase in accrued interest on notes receivable – FINA House	(3,037)	(3,035)
Increase (decrease) in accounts payable and accrued expenses	102,168	(54,549)
Increase in deferred revenue – programs	36,755	7,317
Total Adjustments	195,253	(64,179)
Net Cash (Used In) Provided By Operating Activities	$ 1,433,728	$ (63,999)

See accompanying notes.

YWCA OF GREATER LAWRENCE, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	Counseling Services	Children's Center	Girl's Club	Health Promotions	Residency	Community Learning	Program Services Total	General and Administrative	Total
Salaries	$787,524	$1,082,740	$33,252	$209,229	$370,309	$1,002	$2,484,056	$457,198	$2,941,254
Payroll taxes	67,924	95,509	2,961	18,850	32,389	96	217,729	35,348	253,077
Fringe benefis	129,800	169,249	3,535	31,147	76,079	205	410,015	81,904	491,919
Facility operations/ maintenance	141,940	95,558	13,616	97,116	311,338	397	659,965	4,156	664,121
Depreciation	5,787	38,996		55,139	15,651		115,573	4,821	120,394
Insurance	7,671	14,994		19,320	29,661	217	71,863	1,922	73,785
Supplies/materials	13,495	22,131	2,728	10,775	3,464	17	52,610	387	52,997
Program support	38,212	72,507			800		111,519	3,000	114,519
Training	6,357	2,824		3,089	3,862	125	16,257	3,776	20,033
Food	453	103,738	37	1,615	2,296	37	108,176		108,176
Transportation	10,289	341,400	950	9,085	8,271	139	370,134	4,231	374,365
Direct care consultants	18,693			4,431	7,920		31,044		31,044
Professional/Admin	24,329	29,077	111	5,120	13,929	208	72,774	36,200	108,974
Commercial products and services	28,849	25,643	263	9,178	13,141	528	77,602	38,164	115,766
TOTAL	$1,281,323	$2,094,366	$57,453	$474,094	$889,110	$2,971	$4,799,317	$671,107	$5,470,424

See accompanying notes.

YWCA OF GREATER LAWRENCE, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	Counseling Services	Children's Center	Girl's Club	Health Promotions	Residency	Community Learning	Program Services Total	General and Administrative	Total
Salaries	$474,800	$1,034,875	$70,744	$232,342	$353,287	$1,326	$2,167,374	$510,847	$2,678,221
Payroll taxes	35,345	78,227	5,426	17,862	28,080	108	165,048	25,588	190,636
Fringe benefis	107,448	193,119	6,266	30,645	85,749	315	423,542	88,126	511,668
Facility operations/ maintenance	29,781	86,846	15,406	97,905	266,815	301	497,054	7,702	504,756
Depreciation	5,330	35,960		50,738	14,411		106,439	4,439	110,878
Insurance	4,028	12,128	1,177	16,830	26,667	195	61,025	1,930	62,955
Supplies/materials	1,897	22,925	6,509	7,192	628	786	39,937	456	40,393
Program support		53,400					53,400	3,000	56,400
Training	3,803	9,167	315	1,856	2,476	497	18,114	2,793	20,907
Food	744	96,110	1,261	1,093	1,799	31	101,038	589	101,627
Transportation	6,030	293,556	2,969	12,611	6,137	1,392	322,695	3,941	326,636
Direct care consultants	18,289			2,709	7,308	100	28,406		28,406
Professional/Admin	15,758	22,145	557	6,513	17,579	577	63,129	39,727	102,856
Commercial products and services	11,427	24,488	268	13,082	13,541	709	63,515	29,596	93,111
TOTAL	$714,680	$1,962,946	$110,898	$491,378	$824,477	$6,337	$4,110,716	$718,734	$4,829,450

See accompanying notes.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The YWCA of Greater Lawrence, Inc. is a charitable association organized as a not-for-profit corporation for purposes of supplying aid to and improving the Greater Lawrence community. The YWCA is dedicated to eliminating racism, empowering women and promoting peace, justice, freedom and dignity for all.

In connection with the development of a 20-unit transitional and permanent housing development on Haverhill Street in Lawrence, Massachusetts (the "Project"), the YWCA of Greater Lawrence, Inc. (this "Corporation") formed a limited liability company, named YWCA Fina House, LLC (the "LLC") to act as owner of the Project, and formed a for-profit subsidiary of this Corporation to be named YWCA Fina House, Inc. (the "Managing Member") to act as managing member of the LLC, with the Corporation serving as the initial member of the LLC along with the Managing Member. The financial position and results of operations of YWCA Fina House, Inc. and YWCA Fina House, LLC owned by the YWCA of Greater Lawrence, Inc. have been consolidated in the accompanying financial statements.

Promises To Give

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Association uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation:

The Association has adopted the Accounting Standards Codification (ASC) for, financial statements of not-for-profit organizations. Under ASC, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Association is required to present a statement of cash flows. As permitted by the statement, the Association does not use fund accounting.

Contributions:
The Association has adopted ASC, Accounting for Contributions Received and Made. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Support and Revenue
The Association receives its grants and support primarily from Commonwealth of Massachusetts' State Agencies. Support received from those grants and contracts is recognized on a rate per unit served basis, primarily.

Certain contracts provide revenues over a period which extends into the following fiscal year. In those cases, revenues are recognized on a prorata basis or matched to services provided. When revenues are received before the service has been performed, the revenues are deferred.

The Association also solicits funds, both public and private, to support the efforts of the Corporation.

Interest income is recognized when earned.

Functional Allocation of Expenses:
The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Investments
The Association has adopted the ASC, for Accounting for Certain Investments Held by Not-for-Profit Organizations. Under the ASC, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment
The Association follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of $5,000. Depreciation is computed using the straight-line basis over the estimated useful lives of the assets generally as follows:

Building and Improvements	20-40 years
Furniture and Equipment	5-10 years
Computer Equipment	3 years

Income Taxes
The Association is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore, no provision for income taxes is reflected in the accompanying financial statements. The Association has no unrelated business income. The Association's tax return, Form 990, for the years ended June 30, 2011, 2012, 2013 and 2014 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Cash and Cash Equivalents:
Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within nine months of purchase.

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

Reclassifications
Certain items in the 2013 financial statements have been reclassified to conform to the current year presentation.

NOTE 2 - ACCOUNTS RECEIVABLE- PROGRAMS

At June 30, the Association's receivables consisted of the following:

	2014	2013
Receivables:		
Government program services	$ 558,399	$ 520,056
Other receivables	18,377	18,066
	$ 576,776	$ 538,122

NOTE 3 - SHORT TERM INVESTMENTS

The Association held $13,702 and $13,702 in marketable equity securities at June 30, 2014 and 2013, respectively. Total book and market value of short term investments was as follows at June 30:

	2014		2013	
	Book Value	Market Value	Book Value	Market Value
Marketable equity securities	$ 456,887	$ 457,578	$ 13,702	$ 13,545
UST Realty Trust Preferred Stock (at cost)	1,000	1,000	1,000	1,000
	$ 457,887	$ 458,578	$ 14,702	$ 14,545

NOTE 4 - NOTES RECEIVABLE

The Association has the following notes receivable:

Note Receivable FINA House (Developer Loan):

The note receivable balance as of June 30, 2014 and 2013 was $56,854. This loan matures in 2034 and bears interest at 5.34%.

Note Receivable FINA House (McKinney Loan):

The note receivable balances as of June 30, 2014 and 2013 were $311,381 and $303,429, respectively, matures in 2034 and bears interest at 4.535%.

NOTE 5 - TRANSITIONAL AND PERMANENT HOUSING PROJECT

The development of a 20-unit transitional and low income permanent housing property known as YWCA Fina House located at 203 Haverhill Street in Lawrence, Massachusetts was completed in September 2005. Occupancy of the units began October 1, 2005. One of the partners of the YWCA Fina House, LLC is the YWCA Fina House, Inc., a for-profit corporation, with a 0.01% ownership share. The YWCA Fina House, Inc. is jointly owned by the YWCA of Greater Lawrence, Inc. (79% ownership share) and the YWCA of Greater Boston, Inc. (21% ownership share). The remaining 99.99% ownership share of the YWCA Fina House, LLC is owned by the Massachusetts Housing Equity Fund X, LLC.

As part of the Development Agreement between the YWCA of Greater Lawrence and YWCA Fina House, LLC, the YWCA of Greater Lawrence raised and loaned certain funds to the YWCA Fina House, LLC that were used for the facility's construction. This loan to the YWCA Fina House, LLC is recorded as a Note Receivable is $56,854 and bears interest at 5.34%. The interest accrual began on July 20, 2004 and resulted in interest income of $3,037 and $3,035 for the YWCA of Greater Lawrence in 2014 and 2013, respectively.

The YWCA of Greater Lawrence, Inc. received a Developer Fee of $263,000 for its efforts related to the development of the property from the YWCA Fina House, LLC in April 2006. In 2006, the YWCA incurred costs of $15,000 in connection with the development of the project. Since the YWCA of Greater Lawrence has a two (2) year Operating Deficit Guaranty, this Development Fee may be used to fund such deficit. This Operating Deficit Guaranty expired September 30, 2007. Also, if the building units are not properly rented to qualified low-income individuals or families resulting in the loss of tax credits to the investors, the Development Fee will be refunded to the investors. In either event, the maximum exposure of the YWCA of Greater Lawrence to the YWCA Fina House LLC is $248,000. Thus, the Developer Fee of $248,000 could be lost, either in whole or in part, related to such events occurring.

The YWCA of Greater Lawrence has entered into various guaranty agreements with lenders to the YWCA Fina House, LLC related to the repayment of $2,696,955 as of June 30, 2014 of senior and subordinated debt associated with the construction of this facility. It has also entered into a guaranty agreement with the Massachusetts Housing Equity Fund X, LLC, its successors or assigns, in the amount of $2,401,476 which represents the equity fund's investment in YWCA Fina House LLC.

The YWCA of Greater Lawrence receives compensation for the management of the YWCA Fina House facility under an agreement with the YWCA Fina House LLC. These payments began in October 2005. For 2014 and 2013, the YWCA reported revenues of $93,899 and $138,644, respectively, related to this management contract with the YWCA Fina House LLC.

NOTE 6 - LONG-TERM DEBT

	2014	2013
Community Economic Development Assistance Corporation ("CEDAC") Second mortgage note payable which had an interest rate of 0% per year. The YWCA is contingently liable to the lender for a sum of money from gross cash receipts that exceed 105% of cash expenditures on the rental units in the building located at 38 Lawrence Street.	$126,903	$126,903
Fina House Developer Note Payable Note payable matures in 2034 and bears interest at 5.34%.	56,854	56,854
Note Payable – McKinney Note payable matures in 2034 and bears interest at 4.535%.	311,381	303,429
	$ 495,138	$ 487,186

Future maturities of long-term debt as of June 30, 2014 and 2013 are as follows:

Year	2014	2013
2017	$ 126,903	$ 126,903
2034	368,235	360,283
	$ 495,138	$ 487,186

NOTE 7 – FACILITY LEASE

The Association leased space in Lynn, Massachusetts under an agreement which was signed July 1, 2013. The Association is responsible for its proportionate share of building operating costs over a base amount. As of July 1, 2014, future minimum lease payments are as follows:

Year ending June 30	Amount
2015	$ 18,000
2016	18,540
	$ 36,540

NOTE 8 - RETIREMENT PLAN:

The Association participates in a defined contribution retirement plan covering its employees. The Plan is administered by the YWCA Retirement Fund, Inc. Employees who complete at least 1,000 hours of service in each year in two 12 month periods are eligible to participate in the Plan. The Plan is non-contributory however, employees who wish to may contribute over and above the Association's contribution. Retirement plan expense for the years ended June 30, 2014 and 2013 was $176,147 and $183,007, respectively.

NOTE 9 - DONATED SERVICES:

The Association receives donated services from a variety of unpaid volunteers which make significant contributions of their time in conjunction with programs and services. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort has not been satisfied.

NOTE 10 - FINANCIAL INSTRUMENTS:

Concentrations of Credit Risk Arising From Cash Deposits in Excess of Insured Limits:
The Association maintains cash balances at several financial institutions located in the greater Lawrence area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2014, the Association's cash balance exceeding FDIC insurance limits amounted to approximately $406,000.

NOTE 11- CONCENTRATIONS

Approximately seventy-one and fifty-seven percent of the Association's accounts receivable at June 30, 2014 and 2013, respectively, represents amounts due from Massachusetts' governmental agencies.

Approximately seventy-three and sixty-three percent of the Association's revenues for the years ended June 30, 2014 and 2013, respectively, are from Massachusetts' governmental agencies.

NOTE 12- FAIR VALUE MEASUREMENTS

The Association reports under the Fair Value Measurements pronouncements of the FASB Accounting Standards Codification, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs to the valuation include:

- Quoted prices for similar assets or liabilities in active markets;
- Prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs at the closing price reported on the active market on which the individual securities are traded.

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodology used at June 30, 2014 and 2013.

Cash and cash equivalents: Valued at acquisition cost.
Investments: Valued at market.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, with the fair value hierarchy, the Association's assets at fair value.

	Assets at fair value as of June 30, 2014 (In thousands)			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,156			$ 1,156
Investments	459			459
	$ 1,615	$	$	$ 1,615

	Assets at fair value as of June 30, 2013 (In thousands)			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,191			$ 1,191
Investments	15			15
	$ 1,206	$	$	$ 1,206

Valuation and Income Recognition

The Association's cash and cash equivalents and investments as of June 30, 2014 and 2013 are stated at fair value.

NOTE 13- SURPLUS/DEFICIT REVENUE RETENTION

In accordance with the YWCA of Greater Lawrence, Inc.'s contracts with one of its principal funding sources, the Commonwealth of Massachusetts, the YWCA is allowed to retain a portion of its excess support and revenue over expenses in a fiscal year (the "surplus"). The YWCA may retain as its surplus up to 5% of total revenue from the Commonwealth during any fiscal year. In addition, the YWCA may retain a cumulative amount of surplus over a period of years not to exceed 20% of the prior years' total support and revenue from the Commonwealth.

NOTE 14- YWCA HAVERHILL

In accordance with the process for dissolution of the YWCA Haverhill (also known as the Haverhill Young Women's Christian Association), all of the assets of YWCA Haverhill were transferred to the YWCA of Greater Lawrence between March 31, 2014 and May 7, 2014. The transfer of assets totaling $1,214,026 consisted of $770,000 for buildings, $443,185 for investments and $841 for cash, was completed by May 7, 2014, during the fiscal year ending June 30, 2014. Following the transfer of assets, the YWCA Haverhill was officially dissolved as a result of a judgment issued on August 25, 2014 by the Supreme Judicial Court of the Commonwealth of Massachusetts. As part of that judgment, the YWCA of Greater Lawrence was named as successor to any funds, property, assets and interest of YWCA Haverhill. Pursuant to an agreement between the YWCA of Greater Lawrence and YWCA Haverhill entered into in April of 2013, the YWCA of Greater Lawrence also agreed to assume certain liabilities of YWCA Haverhill upon its dissolution.

The transfer of net assets of $1,214,026 at fair value from the Haverhill YWCA is included in the consolidated statement of activities for 2014 in accordance with *general y* accepted accounting principles.

NOTE 16 – SUBSEQUENT EVENTS

The Association has evaluated all subsequent events through October 20, 2014, the date the financial statements became available to be issued. There were no subsequent events that require adjustment to the financial statements.