CONSOLIDATED FINANCIAL STATEMENTS

DOORWAYS
for women and families

FOR THE YEAR ENDED JUNE 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

DOORWAYS FOR WOMEN AND FAMILIES, INC.

CONTENTS

GELMAN, ROSENBERG
& FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Doorways for Women and Families, Inc.
Doorways Cameron, LLC
Arlington, Virginia

We have audited the accompanying consolidated statement of financial position of Doorways for Women and Families, Inc. and Doorways Cameron, LLC (collectively, Doorways) as of June 30, 2012, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of Doorways' 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 Doorways' 2011 consolidated financial statements and, in our report dated November 4, 2011, we expressed an unqualified opinion on those consolidated statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Doorways' 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 referred to above present fairly, in all material respects, the financial position of Doorways as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

October 15, 2012

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

DOORWAYS FOR WOMEN AND FAMILIES, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents:		
Unrestricted	$ 926,609	$ 706,279
Restricted for client escrow (Note 5)	55,706	24,626
Total cash and cash equivalents	982,315	730,905
Grants receivable	219,169	124,950
Pledges receivable, current portion (Note 4)	204,320	152,100
Inventory	10,270	6,357
Prepaid expenses	37,488	41,409
Total current assets	1,453,562	1,055,721
FIXED ASSETS		
Land	154,800	154,800
Building - Family Home	2,242,254	2,239,772
Building - Safehouse	246,887	246,787
Furniture and fixtures	128,213	127,187
Computer equipment	77,629	67,715
Software	45,286	43,598
Leasehold improvements	10,246	10,246
	2,905,315	2,890,105
Less: Accumulated depreciation and amortization	(570,397)	(474,727)
Net fixed assets	2,334,918	2,415,378
NONCURRENT ASSETS		
Investments (Notes 2 and 13)	483,549	498,200
Investment in Cameron Commons, LLC (Note 3)	1,156,993	1,172,068
Pledges receivable, net of current portion, discount, and allowance for uncollectible accounts of $69,550 and $51,840 in 2012 and 2011, respectively (Note 4)	389,058	430,198
Deposits	12,545	12,545
Total noncurrent assets	2,042,145	2,113,011
TOTAL ASSETS	**$ 5,830,625**	**$ 5,584,110**

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 151,619	$ 147,681
Deposits held in escrow (Note 5)	55,706	24,626
Total current liabilities	207,325	172,307
LONG-TERM LIABILITIES		
Community Development Block Grant Fund conditional debt (Note 6)	600,000	600,000
Arlington County conditional debt (Note 3)	757,495	757,495
Deferred rent liability (Note 11)	47,583	26,618
Total long-term liabilities	1,405,078	1,384,113
Total liabilities	1,612,403	1,556,420
NET ASSETS		
Unrestricted:		
Undesignated	2,716,863	2,394,032
Board designated (Note 7)	539,320	559,164
Total unrestricted	3,256,183	2,953,196
Temporarily restricted (Note 8)	962,039	1,074,494
Total net assets	4,218,222	4,027,690
TOTAL LIABILITIES AND NET ASSETS	**$ 5,830,625**	**$ 5,584,110**

DOORWAYS FOR WOMEN AND FAMILIES, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Contributions	$ 581,392	$ 263,600	$ 844,992	$ 1,161,536
Foundation grants	633,301	224,000	857,301	648,214
Government grants and contracts	1,329,564	-	1,329,564	1,183,354
Investment (loss) income (Note 2)	(593)	-	(593)	101,105
Investment in Cameron Commons, LLC (Note 3)	(15,075)	-	(15,075)	(10,400)
In-kind contributions (Note 10)	144,185	-	144,185	200,571
Special event revenue	92,954	-	92,954	126,261
Other revenue	13,292	-	13,292	3,435
Net assets released from donor restrictions (Note 9)	600,055	(600,055)	-	-
Total support and revenue	3,379,075	(112,455)	3,266,620	3,414,076
EXPENSES				
Program Services:				
Domestic Violence	766,135	-	766,135	816,473
HomeStart	844,431	-	844,431	862,100
Family Home	778,878	-	778,878	844,853
Community Education	141,752	-	141,752	479,076
Total program services	2,531,196	-	2,531,196	3,002,502
Supporting Services:				
Management and General	297,794	-	297,794	175,174
Fundraising	247,098	-	247,098	274,680
Total supporting services	544,892	-	544,892	449,854
Total expenses	3,076,088	-	3,076,088	3,452,356
Change in net assets	302,987	(112,455)	190,532	(38,280)
Net assets at beginning of year	2,953,196	1,074,494	4,027,690	4,065,970
NET ASSETS AT END OF YEAR	**$ 3,256,183**	**$ 962,039**	**$ 4,218,222**	**$ 4,027,690**

See accompanying notes to consolidated financial statements.

DOORWAYS FOR WOMEN AND FAMILIES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	2012				
	Program Services				
	Domestic Violence	HomeStart	Family Home	Community Education	Total Program Services
Salaries, taxes and benefits (Note 12)	$ 540,667	$ 431,451	$ 473,242	$ 109,059	$ 1,554,419
Professional fees	6,331	2,667	7,650	2,174	18,822
Advertising/publicity	-	-	-	-	-
Credit card processing	-	-	-	-	-
Depreciation and amortization	13,925	4,885	73,737	1,699	94,246
Donor relations	-	-	-	-	-
Event venue and donor relations expenses	-	-	-	54	54
Meetings, food and miscellaneous	404	267	428	7	1,106
Membership dues and fees	1,091	285	312	68	1,756
Office occupancy expenses (Note 11)	41,658	81,769	37,190	9,760	170,377
Insurance	3,809	1,483	5,656	1,045	11,993
Office supplies	3,621	2,382	3,407	578	9,988
Postage and shipping	66	-	8	1,064	1,138
Printing and graphics	-	-	-	2,366	2,366
Publications/subscriptions	16	16	16	721	769
Small equipment costs	594	-	406	-	1,000
Staff travel expenses	1,321	2,373	588	46	4,328
Volunteer recruitment/retention	947	176	969	1,587	3,679
Capital expenditures	-	-	-	-	-
Facilities management	36,200	3,755	53,773	126	93,854
Client assistance	63,316	270,106	75,609	-	409,031
Investment expense	-	-	-	-	-
Performance evaluation	1,742	1,742	1,741	-	5,225
Emergency contingency	-	-	-	-	-
Red Flag Campaign expenses	-	-	-	-	-
Loss on disposal of fixed assets	941	-	-	-	941
Bad debt expense	-	-	-	-	-
Sub-total	716,649	803,357	734,732	130,354	2,385,092
Allocation of management and general	49,486	41,074	44,146	11,398	146,104
TOTAL	**$ 766,135**	**$ 844,431**	**$ 778,878**	**$ 141,752**	**$ 2,531,196**

See accompanying notes to consolidated financial statements.

Supporting Services				2011
Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
$ 350,027	$ 150,818	$ 500,845	$ 2,055,264	$ 2,305,771
23,754	8,680	32,434	51,256	96,486
-	1,085	1,085	1,085	3,311
7,284	288	7,572	7,572	10,180
4,431	2,349	6,780	101,026	98,434
-	735	735	735	3,499
-	12,195	12,195	12,249	23,698
3,405	152	3,557	4,663	5,231
616	318	934	2,690	2,733
43,608	22,346	65,954	236,331	225,837
6,156	412	6,568	18,561	16,507
2,761	1,103	3,864	13,852	12,596
116	7,969	8,085	9,223	10,534
-	13,453	13,453	15,819	31,876
50	1,760	1,810	2,579	436
180	-	180	1,180	16,066
525	125	650	4,978	6,533
-	-	-	3,679	3,781
-	-	-	-	245
176	45	221	94,075	93,772
1,247	(200)	1,047	410,078	366,047
3,869	-	3,869	3,869	300
-	-	-	5,225	42,165
1,448	-	1,448	1,448	(4,533)
-	-	-	-	5,570
-	-	-	941	4,381
8,855	8,855	17,710	17,710	70,900
458,508	232,488	690,996	3,076,088	3,452,356
(160,714)	14,610	(146,104)	-	-
$ 297,794	**$ 247,098**	**$ 544,892**	**$ 3,076,088**	**$ 3,452,356**

See accompanying notes to consolidated financial statements.

DOORWAYS FOR WOMEN AND FAMILIES, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 190,532	$ (38,280)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	101,026	98,434
Realized loss on investments	6,709	10,151
Unrealized loss (gain) on investments	10,264	(105,925)
Unrealized loss on investment in Cameron Commons	15,075	10,400
Donated securities	(15,244)	(32,813)
Loss on disposal of fixed assets	941	4,381
Change in reserve for uncollectible pledges	17,710	17,945
Change in discount on pledges receivable	-	32,570
(Increase) decrease in:		
Grants receivable	(94,219)	246,658
Pledges receivable	(28,790)	(434,993)
Inventory	(3,913)	(665)
Prepaid expenses	3,921	(17,844)
Deposits	-	(11,045)
Increase (decrease) in:		
Accounts payable and accrued liabilities	3,938	2,278
Deposits held in escrow	31,080	(9,039)
Deferred rent liability	20,965	26,618
Net cash provided (used) by operating activities	259,995	(201,169)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(21,507)	(52,713)
Purchase of investments	(74,177)	(394,288)
Proceeds from sale of investments	87,099	589,177
Purchase of interest in Cameron Commons, LLC	-	(272,160)
Net cash used by investing activities	(8,585)	(129,984)
Net increase (decrease) in cash and cash equivalents	251,410	(331,153)
Cash and cash equivalents at beginning of year	730,905	1,062,058
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 982,315	$ 730,905

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

For over 30 years, Doorways for Women and Families, Inc. has played a vital role in the Arlington community, providing safe shelter, housing, and life-changing support services to women and families facing the trauma of homelessness and/or domestic violence.

Doorways Cameron, LLC (the LLC) is a limited liability company, organized in the state of Virginia in 2008. The primary purpose of the LLC is to invest in Cameron Commons, LLC (see Note 3).

Doorways for Women and Families, Inc. strives to end homelessness and family and intimate partner violence by offering safe shelter and housing, life changing support services, and community advocacy. Doorways for Women and Families, Inc. is committed to continuous refinement of programs to provide the most holistic care possible to families in crisis to ultimately put an end to the cycles of violence and homelessness that plague too many in the community. Family safety and stability are facilitated through three core programs:

- The Domestic Violence Program operates an 11-bed Safehouse Shelter, a 24/7 Domestic Violence Hotline, and a Bilingual Court Advocacy and Companionship program for persons seeking legal protection from domestic violence. Doorways for Women and Families, Inc. is the largest provider of domestic violence services in Arlington and operates the only Safehouse in Arlington County.
- The HomeStart Supportive Housing Program offers homeless prevention, rapid re-housing, and long-term supportive housing for families who need assistance to leave Doorways for Women and Families, Inc. shelters, as well as those who are at risk of homelessness in the community. HomeStart offers residential stability (through rental subsidies) and intensive support focused on skill building to prevent the recurrence of homelessness and domestic violence. HomeStart and community based programs assisted 86 families (203 parents and children) in fiscal year 2012.
- The Freddie Mac Foundation Family Home provides housing (21 beds), food, skill building opportunities, referrals, and supportive counseling and goal planning services to women, children and families experiencing homelessness. The home served 24 families (26 adults and 45 children) in fiscal year 2012.

Doorways for Women and Families, Inc. continues to meet the varied and profound needs of its clients through holistic, client-centered and strength-based services that offer them the greatest chance of success. Doorways for Women and Families, Inc. provides clients with intensive support, which is necessary, given that nearly every aspect of their lives is in crisis caused by lack of housing, loss of employment, traumatized self and children, and abused and chaotic finances. Wrap-around services assist clients with essential life skills, counseling, children’s needs, financial education and planning, and court advocacy.

Through community education efforts, volunteers received training and provided 5,904 hours of client-centered services during fiscal year 2012; resource drives provide clients with winter coats, school supplies and other in-kind support; and awareness of domestic and intimate partner violence is increased through activities and outreach and year-round community presentations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Organization (continued) -

Doorways for Women and Families, Inc. employs 28 full-time employees and utilizes the expertise of 129 volunteers (including the Board of Directors).

Basis of consolidation -

The accompanying consolidated financial statements reflect the activity of Doorways for Women and Families, Inc. and Doorways Cameron, LLC (collectively, Doorways) as of June 30, 2012. The financial statements of the two organizations have been consolidated because they are under common control. All intercompany transactions have been eliminated during consolidation.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities*, *Consolidation*.

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 Doorways' consolidated financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Cash and cash equivalents -

Doorways invests cash in excess of immediate requirements in a money market fund. Because of the short-term and high liquidity of the fund, such amount is considered to be a cash equivalent. The carrying amount reported in the Consolidated Statement of Financial Position approximates fair market value.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) - insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). Doorways maintains a portion of its cash balances at financial institutions in noninterest-bearing accounts; thereby, all of these cash balances are protected by the FDIC under this Act.

At times during the year, Doorways maintains a portion of its cash balances in interest-bearing accounts at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Grants and pledges receivable -

Grants and pledges receivable approximate fair value. Grants receivable are considered fully collectable within one year. The allowance for doubtful pledges receivable is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor.

Inventory -

Inventory consists of various gift cards, which are recorded at the cards' value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fixed assets -

Fixed assets greater than $1,000 are capitalized and stated at cost. Building improvements, furniture and fixtures, and computer equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to thirty-seven years. Software is amortized on a straight-line basis over the estimated useful lives of the related assets, generally five years. Leasehold improvements are amortized over the life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Consolidated Statement of Activities and Change in Net Assets.

Net asset classification -

The net assets are reported in two self-balancing categories as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Doorways and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Doorways and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from restrictions.

Grants and contributions -

Revenue received from cost reimbursable government grants is recognized when expenses have been incurred.

Unrestricted and temporarily restricted contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying consolidated financial statements. Restricted grants and contributions whose restrictions are met in the same reporting period are recorded as unrestricted grants and contributions.

In 2010, Doorways initiated the Brighter Futures Society, a program which seeks five-year pledges to support Doorways' ongoing work in the Arlington community. Pledge receivables are required by generally accepted accounting principles to be recorded as income when the donor obligates the funds.

Income taxes -

Doorways is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. Doorways is not a private foundation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Income taxes (continued) -

Doorways Cameron, LLC is registered as a for-profit limited liability corporation under the laws of the State of Virginia; however, due to its charitable nature, it is considered a "disregarded entity" (for tax purposes) by the Internal Revenue Service.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended June 30, 2012, Doorways has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

Doorways invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Fair value measurements -

Doorways adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fair value measurements (continued) -

Doorways accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at June 30, 2012:

	Market Value
Stocks	$ 394,751
Corporate bonds	88,798
TOTAL INVESTMENTS	**$ 483,549**

Included in investment loss are the following:

Interest and dividends	$ 16,380
Realized loss on sales of investments	(6,709)
Unrealized loss	(10,264)
TOTAL INVESTMENT LOSS	**$ (593)**

3. INTEREST IN CAMERON COMMONS, LLC

During 2009, Doorways formed a single member LLC, Doorways Cameron, LLC, whose sole purpose was to enter into an agreement with Cameron Commons Development Corporation (CCDC) to form Cameron Commons, LLC. Cameron Commons, LLC purchased the Cameron Commons Apartments. Under the agreement, Doorways has an interest in five apartment units. In 2009, $726,287 of initial funding for Doorways' interest in this partnership was provided on behalf of Doorways Cameron, LLC directly to CCDC by the Community Housing Finance Corporation (CHFC), a division of Arlington County, Virginia.

In 2010, an additional $31,208 was provided by Arlington County for total funding of $757,495. The funds were given as a conditional 30-year deferred-payment loan. This no-interest loan is to be repaid only in the event of sale, conveyance, or change in use of the property. After the 30-year period has expired, the debt will be forgiven. Also in 2010, Doorways contributed $168,792 to Cameron Commons, LLC. During fiscal year 2011, Doorways contributed an additional $272,160, which increased their interest in Cameron Commons, LLC to 31%.

Doorways currently accounts for its investment in Cameron Commons, LLC using the equity method because Doorways has the ability to significantly influence the entity's financial and operating policies. During the year ended December 31, 2011, Cameron Commons, LLC’s net operating loss totaled $48,630, of which $15,075 was allocated to Doorways Cameron, LLC. The operating gain or loss through June 30, 2012 has not been audited, and accordingly, has not been included in the accompanying Consolidated Statement of Activities and Change in Net Assets. Doorways’ investment in Cameron Commons, LLC at June 30, 2012 totaled $1,156,993.

4. PLEDGES RECEIVABLE

As of June 30, 2012, contributors to Doorways have made written promises to give totaling $695,498. Pledges receivable are discounted to their net present value using the effective interest rate as of the date of award. Pledges are due as follows at June 30, 2012:

Less than one year	$ 204,320
One to five years	446,511
Beyond five years	44,667
Total	695,498
Less: Discount to present value at 3.25%	(32,570)
Less: Reserve for uncollectible pledges	(69,550)
TOTAL PLEDGES RECEIVABLE	**$ 593,378**

5. ESCROW

The escrow liability consists of client savings held by Doorways for clients in the Doorways HomeStart Program. A client may request the funds at any time, and all funds are returned to the client when the client leaves the HomeStart Program in good standing. Cash in the amount of $55,706 is restricted for client funds in escrow as of June 30, 2012.

6. COMMUNITY DEVELOPMENT BLOCK GRANT FUND CONDITIONAL DEBT

In May 2006, Doorways obtained a $600,000 commitment from Arlington County, Virginia, through a Community Development Block Grant from the United States Department of Housing and Urban Development (HUD). Doorways has drawn the full $600,000 under this commitment. The funds were given as a conditional 60-year deferred-payment loan in order to redevelop the Family Home. This no-interest loan is to be repaid only in the event of sale, conveyance, or change in use of the property. After the 60-year period has expired, the debt will be forgiven.

7. BOARD DESIGNATED NET ASSETS

As of June 30, 2012, net assets have been designated by the Board of Directors for the following purposes:

Operating reserve	$ 487,448
Building improvements	51,872
TOTAL BOARD DESIGNATED NET ASSETS	**$ 539,320**

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2012:

Program Restricted:	
Domestic Violence	$ 143,110
HomeStart	68,002
Family Home	67,999
Children's program	20,000
Total program restricted	299,111
Time Restricted:	
Pledges receivable	662,928
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$ 962,039**

9. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

Program Restricted:	
Domestic Violence	$ 59,945
HomeStart	157,802
Family Home	112,498
Children's Program	15,000
Cameron Commons	20,000
Total program restricted	365,245
Time Restricted:	
General Operations	234,810
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**$ 600,055**

10. IN-KIND CONTRIBUTIONS

Contributed services from IT professionals and goods donated for distribution in Doorways' programs are recognized as in-kind revenues at their estimated fair market value. Donated goods and services consisted of the following at June 30, 2012:

Professional fees	$ 23,846
Gift cards	36,482
Goods and supplies	83,857
TOTAL IN-KIND CONTRIBUTIONS	**$ 144,185**

10. IN-KIND CONTRIBUTIONS (Continued)

These good and services benefited Doorways' programs as follows at June 30, 2012:

Domestic Violence	$ 45,109
HomeStart	44,961
Family Home	46,807
Community Education	1,061
Management and General	4,077
Fundraising	2,170
TOTAL IN-KIND CONTRIBUTIONS	**$ 144,185**

Additionally, volunteers have donated time to Doorways in various capacities. These services have not been recognized, in as much as such services do not require specialized skills. The value of these services is not readily determinable.

11. LEASE COMMITMENT

During 2011, Doorways entered into a lease for office space under a seven-year agreement, expiring May 31, 2018. Base rent is $150,535 per year, plus a proportionate share of expenses, increasing by a factor of 3% per year. The first three months of rent were abated.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the Consolidated Statement of Financial Position. As of June 30, 2012 and 2011, the total deferred rent liability aggregated $47,583 and $26,618, respectively.

Future minimum lease payments are as follows:

Year Ending June 30	
2013	$ 155,826
2014	160,501
2015	165,316
2016	170,276
2017	175,384
Thereafter	165,217
	$ 992,520

Rent expense, including utilities and taxes for the year ended June 30, 2012, was $162,402. Rent expense is included in office occupancy expenses in the accompanying Consolidated Statement of Functional Expenses.

12. PENSION PLAN

Doorways has established a 403(b) plan for its employees. Eligible employees must be employed for at least one year and complete 1,000 hours of services during a 12-month period. Employer discretionary contributions are allocated among eligible employees at a rate of 2% of annual compensation for employees with one to four years of services, and 4% of annual compensation for employees with five or more years of service. Plan contributions for the year ended June 30, 2012 totaled $27,034.

13. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, Doorways has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Consolidated Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market Doorways has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

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

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2012.

- S*tocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Corporate bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes, by level within the fair value hierarchy, Doorways' investments as of June 30, 2012:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Stocks	$ 394,751	$ -	$ -	$ 394,751
Corporate bonds	-	88,798	-	88,798
TOTAL INVESTMENTS	**$ 394,751**	**$ 88,798**	**$ -**	**$ 483,549**

14. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, Doorways has evaluated events and transactions for potential recognition or disclosure through October 15, 2012, the date the consolidated financial statements were issued.