HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.

Consolidated Financial Statements

June 30, 2014 and 2013

Keiter
Your Opportunity Advisors

Certified Public
Accountants & Consultants
4401 Dominion Boulevard, 2nd Floor
Glen Allen, VA 23060

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HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.

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Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Hospital Hospitality House of Richmond, Inc.
Richmond, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Hospital Hospitality House of Richmond, Inc. and its subsidiaries (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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; 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. Those standards require that we plan and perform the audits 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 of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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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 Hospital Hospitality House of Richmond, Inc. and its subsidiaries as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Keiter

September 23, 2014
Glen Allen, Virginia

HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.

Consolidated Statements of Financial Position
June 30, 2014 and 2013

	2014			2013		
	Operating	Endowment	Total	Operating	Endowment	Total
Assets						
Cash and cash equivalents	$ 684,133	$ -	$ 684,133	$ 923,094	$ -	$ 923,094
Accounts receivable	17,000	-	17,000	9,200	-	9,200
Pledges receivable, net	83,997	-	83,997	48,309	-	48,309
Prepaid expenses	5,000	-	5,000	-	-	-
Marketable securities	4,616,139	3,356,041	7,972,180	3,622,519	2,899,026	6,521,545
Property and equipment, net	2,685,164	-	2,685,164	2,693,127	-	2,693,127
Total assets	$ 8,091,433	$ 3,356,041	$ 11,447,474	$ 7,296,249	$ 2,899,026	$ 10,195,275

	2014			2013		
	Operating	Endowment	Total	Operating	Endowment	Total
Liabilities and Net Assets						
Liabilities:						
Accounts payable	$ 42,491	$ -	$ 42,491	$ 73,897	$ -	$ 73,897
Accrued expenses	99,491	-	99,491	94,101	-	94,101
Deferred revenue	83,710	-	83,710	216,171	-	216,171
Deposits	1,350	-	1,350	750	-	750
Total liabilities	227,042	-	227,042	384,919	-	384,919
Net assets:						
Unrestricted	7,503,724	1,820,942	9,324,666	6,575,286	1,529,303	8,104,589
Temporarily restricted	83,997	491,606	575,603	48,309	327,730	376,039
Permanently restricted	-	1,043,493	1,043,493	-	1,041,993	1,041,993
Total controlling interest in net assets	7,587,721	3,356,041	10,943,762	6,623,595	2,899,026	9,522,621
Non-controlling interest in net assets of consolidated subsidiaries	276,670	-	276,670	287,735	-	287,735
Total net assets	7,864,391	3,356,041	11,220,432	6,911,330	2,899,026	9,810,356
Total liabilities and net assets	$ 8,091,433	$ 3,356,041	$ 11,447,474	$ 7,296,249	$ 2,899,026	$ 10,195,275

See accompanying notes to consolidated financial statements.

HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.

Consolidated Statements of Activities
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Contributions	$ 1,042,181	$ 99,000	$ 1,500	$ 1,142,681
Rent	883,456	-	-	883,456
Special events income	353,314	-	-	353,314
Investment income	119,220	-	-	119,220
Miscellaneous	40,534	-	-	40,534
Total revenue and support	2,438,705	99,000	1,500	2,539,205
Net assets released from restrictions	63,312	(63,312)	-	-
Appropriation of endowment income	30,280	(30,280)	-	-
Total released from restriction	93,592	(93,592)	-	-
Expenses:				
Program services:				
House	1,769,896	-	-	1,769,896
Supporting services:				
Management and general	227,090	-	-	227,090
Fundraising	263,625	-	-	263,625
Total expenses	2,260,611	-	-	2,260,611
Change in net assets before realized/unrealized gain and non-controlling interest	271,686	5,408	1,500	278,594
Net realized/unrealized gain on marketable securities	937,326	194,156	-	1,131,482
Non-controlling interest	11,065	-	-	11,065
Change in net assets	1,220,077	199,564	1,500	1,421,141
Net assets, beginning of year	8,104,589	376,039	1,041,993	9,522,621
Net assets, end of year	$ 9,324,666	$ 575,603	$ 1,043,493	$ 10,943,762

See accompanying notes to consolidated financial statements.

HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.

Consolidated Statements of Activities
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Contributions	$ 798,027	$ 47,186	$ 2,000	$ 847,213
Rent	850,792	-	-	850,792
Special events income	367,609	-	-	367,609
Investment income	107,546	-	-	107,546
Miscellaneous	6,132	-	-	6,132
Total revenue and support	2,130,106	47,186	2,000	2,179,292
Net assets released from restrictions	36,219	(36,219)	-	-
Appropriation of endowment income	15,108	(15,108)	-	-
Total released from restriction	51,327	(51,327)	-	-
Expenses:				
Program services:				
House	1,688,735	-	-	1,688,735
Supporting services:				
Management and general	233,765	-	-	233,765
Fundraising	248,712	-	-	248,712
Total expenses	2,171,212	-	-	2,171,212
Change in net assets before realized/unrealized gain and non-controlling interest	10,221	(4,141)	2,000	8,080
Net realized/unrealized gain on marketable securities	586,540	156,152	-	742,692
Non-controlling interest	11,064	-	-	11,064
Change in net assets	607,825	152,011	2,000	761,836
Net assets, beginning of year	7,496,764	224,028	1,039,993	8,760,785
Net assets, end of year	$ 8,104,589	$ 376,039	$ 1,041,993	$ 9,522,621

See accompanying notes to consolidated financial statements.

HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.

Consolidated Statements of Functional Expenses
Year Ended June 30, 2014

	Program Services	Supporting Services		
	House	Management and General	Fundraising	Total All Funds
Community awareness	$ 13,824	$ -	$ -	$ 13,824
Insurance	23,917	-	-	23,917
Laundry	14,197	-	-	14,197
Marketing	67,832	18,459	-	86,291
Miscellaneous	18,287	4,576	-	22,863
Office expense	4,719	-	-	4,719
Postage	-	2,075	-	2,075
Printing and publications	-	3,672	9,755	13,427
Professional fees	38,090	26,472	-	64,562
Property taxes	5,268	-	-	5,268
Repairs and maintenance	162,535	-	-	162,535
Salaries and benefits	1,129,051	164,348	99,380	1,392,779
Special events	-	-	154,490	154,490
Staff development	2,071	2,473	-	4,544
Supplies	28,714	2,121	-	30,835
System support	14,482	2,894	-	17,376
Telephone	2,908	-	-	2,908
Uncollectible pledges	83	-	-	83
Utilities	116,460	-	-	116,460
Waste disposal	6,696	-	-	6,696
	1,649,134	227,090	263,625	2,139,849
Depreciation	120,762	-	-	120,762
	$ 1,769,896	$ 227,090	$ 263,625	$ 2,260,611

See accompanying notes to consolidated financial statements.

HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.

Consolidated Statements of Functional Expenses
Year Ended June 30, 2013

	Program Services	Supporting Services		
	House	Management and General	Fundraising	Total All Funds
Community awareness	$ 9,994	$ -	$ -	$ 9,994
Insurance	22,404	-	-	22,404
Laundry	11,650	-	-	11,650
Marketing	30,222	10,128	-	40,350
Miscellaneous	13,161	6,793	-	19,954
Office expense	4,410	-	-	4,410
Postage	-	2,578	-	2,578
Printing and publications	-	13,361	9,448	22,809
Professional fees	37,736	12,176	-	49,912
Property taxes	5,219	-	-	5,219
Repairs and maintenance	140,058	-	-	140,058
Salaries and benefits	1,123,956	179,067	86,300	1,389,323
Special events	-	-	152,964	152,964
Staff development	2,114	3,808	-	5,922
Supplies	29,309	2,171	-	31,480
System support	9,344	3,683	-	13,027
Telephone	3,178	-	-	3,178
Utilities	113,957	-	-	113,957
Waste disposal	5,557	-	-	5,557
	1,562,269	233,765	248,712	2,044,746
Depreciation	126,466	-	-	126,466
	$ 1,688,735	$ 233,765	$ 248,712	$ 2,171,212

See accompanying notes to consolidated financial statements.

HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.

Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 1,421,141	$ 761,836
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	120,762	126,466
Net realized and unrealized gain on marketable securities	(1,131,482)	(742,692)
Net investment income re-invested	(119,153)	(107,248)
Non-controlling interest	(11,065)	(11,064)
Changes in operating assets and liabilities:		
Accounts receivable	(7,800)	30,031
Pledges receivable, net	(35,688)	(10,967)
Prepaid expenses	(5,000)	-
Accounts payable	(31,406)	37,988
Accrued expenses	5,390	8,339
Deferred revenue	(132,461)	173,611
Deposits	600	240
Net cash provided by operating activities	73,838	266,540
Cash flows from investing activities:		
Proceeds from sale of marketable securities	7,634,737	-
Purchase of marketable securities	(7,834,737)	-
Purchase of property and equipment	(112,799)	-
Net cash used in investing activities	(312,799)	-
Net change in cash and cash equivalents	(238,961)	266,540
Cash and cash equivalents, beginning of year	923,094	656,554
Cash and cash equivalents, end of year	$ 684,133	$ 923,094

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies:

Hospital Hospitality House of Richmond, Inc. and its subsidiaries (collectively, the “Organization”) provides housing to families of inpatients, same-day surgery patients, and outpatients who are undergoing continuing treatment at Virginia Commonwealth University Health Systems, Veterans Affairs Medical Center, Virginia Treatment Center for Children, Sheltering Arms Physical Rehabilitation Hospital, HealthSouth Medical Center, Children’s Hospital of Richmond at VCU, and Retreat Hospital. Public support, special events, rents, and investment income are the primary sources of revenue and support.

Basis of Accounting: The consolidated financial statements include the accounts of the Hospital Hospitality House of Richmond, Inc. (the “Hospitality House”), its majority-owned subsidiary, 7th & Marshall Corporation, and its wholly-owned subsidiary, HHH Development, LLC, which was formed in October of 2012. All significant intercompany transactions and balances have been eliminated in consolidation.

The Organization prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States (“GAAP”), which require reporting information regarding its financial position and activities according to these three classes of net assets:

> Unrestricted net assets are net assets that are not subject to donor-imposed stipulations. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.
>
> Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization 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 as net assets released from restrictions.
>
> Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Use of Estimates: The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Future events and circumstances may alter those estimates.

Cash Equivalents: For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

1. Summary of Significant Accounting Policies, Continued:

Donated Services: A number of unpaid volunteers have made significant contributions of their time in the furtherance of the Organization's programs. The value of this contributed time is not reflected in these statements because the criteria for recognition under guidance provided by the Financial Accounting Standards Board ("FASB") related to accounting for contributions received and contributions made, had not been satisfied.

Accounts and Pledges Receivable: Contributions pledged are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets based upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. However, contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized.

The Organization uses the allowance method for estimates of uncollectible pledges and receivables. The allowance is based on historical collection rates and an analysis of individual pledges receivable. This analysis concluded that uncollectible pledges were not significant as of June 30, 2014 and June 30, 2013; accordingly, no provision was made for uncollectible amounts.

Investments: Investments in marketable securities are carried at fair value as determined by the investment managers. Unrealized gains and losses are included in the consolidated statements of activities. Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain marketable securities and the level of uncertainty related to changes in the value of marketable securities, it is at least reasonably possible that changes in the risks in the near term could materially affect amounts reported on the consolidated financial statements.

Property and Equipment: Land, buildings, furniture, fixtures and equipment are stated at cost at date of acquisition or fair market value at the date of gift. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. The costs of major improvements are capitalized while the costs of maintenance and repairs, which do not extend or improve the life of the respective property, are expensed currently. The cost and accumulated depreciation of property are eliminated from the accounts upon disposal, and any resulting gain or loss is included in the consolidated statements of activities.

Income Taxes: The Organization is a non-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not considered a private foundation.

1. Summary of Significant Accounting Policies, Continued:

Income Tax Uncertainties: The Organization follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Organization's income tax returns for years since 2011 remain open for examination by tax authorities. The Organization is not currently under audit by any tax jurisdiction.

Concentration of Credit Risk: Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and unsecured pledges receivable. The Organization maintains its cash balances in a financial institution located in Richmond, Virginia. The balance in this institution is insured by the Federal Deposit Insurance Corporation up to $250,000, and the balance periodically exceeds this amount. The ability to collect pledges receivable is affected by economic conditions in the Richmond metropolitan area of Virginia, the Organization's principal service area.

Non-controlling Interests: The Organization follows FASB guidance related to non-controlling interests in consolidated financial statements. The guidance requires that a non-controlling ownership interest in subsidiaries held by parties other than the parent be clearly identified, labeled and presented in the consolidated statements of financial position within net assets, but separate from the parent's net assets. In addition, the standard requires that the amount of consolidated change in net assets attributable to the parent and the non-controlling interest be clearly identified and presented in the Organization's consolidated statements of activities.

Reclassifications: Certain prior year balances have been reclassified to conform with current year presentation.

Subsequent Events: Management has evaluated subsequent events through September 23, 2014, the date the consolidated financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying consolidated financial statements.

2. Pledges Receivable:

At June 30, 2014 and 2013, the Organization has recorded unconditional pledges receivable related to the operations of the Organization. These pledges are to be received during years subsequent to June 30, 2014 and 2013 as follows:

	2014	2013
Receivable in less than one year	$ 79,000	$ 43,312
Receivable in one to six years	5,000	5,000
	84,000	48,312
Less: Discount to net present value	(3)	(3)
Net contributions receivable	$ 83,997	$ 48,309

Unconditional promises to give are primarily from individuals and corporations located in the metropolitan Richmond area, and are reflected at the present value of estimated future cash flows using a discount rate of 0.05% for 2014 and 2013.

The Organization has been named the beneficiary of a trust that is currently in the process of liquidation. As the future amount to be received is indeterminable at June 30, 2014, no receivable has been recorded for this trust.

3. Marketable Securities:

Prior to April 30, 2014, the Organization's marketable securities were commingled with the MCV Foundation's investments in the commonFund. On April 30, 2014, the Organization sold the marketable securities, realizing a gain of $830,507, and reinvested the funds into the same underlying investments directly with the commonFund. Marketable securities are stated at fair market value and consist of the following:

	June 30, 2014	
	Cost	Market Value
commonFund - multi-strategy equities	$ 5,332,076	$ 5,619,793
commonFund - multi-strategy bonds	2,339,129	2,352,387
	$ 7,671,205	$ 7,972,180

	June 30, 2013	
	Cost	Market Value
MCV Foundation:		
commonFund - multi-strategy equities	$ 2,784,908	$ 4,800,355
commonFund - multi-strategy bonds	1,483,232	1,721,190
	$ 4,268,140	$ 6,521,545

4. Property and Equipment:

Below is a summary of property and equipment and accumulated depreciation at June 30:

	2014	2013
Property and equipment:		
Land	$ 402,998	$ 402,998
Buildings and improvements	4,393,621	4,280,822
Furniture and equipment	246,473	246,473
	5,043,092	4,930,293
Accumulated depreciation:		
Buildings and improvements	2,125,701	2,010,212
Furniture and equipment	232,227	226,954
	2,357,928	2,237,166
Property and equipment, net	$ 2,685,164	$ 2,693,127

Depreciation expense amounted to $120,762 for 2014 and $126,466 for 2013.

5. Joint Venture:

In May 1995, Hospitality House entered into a joint venture, 7th & Marshall Corporation (the “Venture”), with University Health Services, Inc. (“UHS”) to acquire the property and improvements located at 7th and Marshall Streets. Previously, this property was privately owned and occupied by the Hospitality House. As consideration for its interest in the Venture, UHS contributed $500,000 of capital that was used to pay the note payable issued at the time of the original purchase of the property.

The Hospitality House turned over the property at 7th and Marshall Streets to the Venture at a book value of approximately $2,400,000. The Venture agreement was renewed in 2003.

UHS reimburses Hospitality House for 50% of the house expenses, which are recorded as rental income. The Venture has a six-member Board of Directors, three of whom are appointed by UHS and three of whom are appointed by Hospitality House.

The agreement may be terminated by either party upon giving 36 months notice to the other party. Upon termination, purchase options at fair market value are available to either party, with UHS having a first right to purchase the property, 85% of which is owned by Hospitality House.

6. Restrictions on Net Assets:

Temporarily restricted net assets were available for the following purposes at June 30:

	2014	2013
Time restricted	$ 83,997	$ 48,309
Unrealized gain for endowment	491,606	327,730
	$ 575,603	$ 376,039

Temporarily restricted net assets were released to expenses to satisfy the following restricted purposes:

	2014	2013
Released from time restrictions	$ 63,312	$ 36,219

7. Endowment Funds:

The Organization's endowment consists of two individually named funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

7. Endowment Funds, Continued:

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment Investing and Spending Policies: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment funds are invested in a manner that is intended to produce stated investment results while assuming a moderate level of investment risk. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to earn at least 5%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater value on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Organization's various endowed funds for grant-making and administration. The current spending policy is to distribute the lesser of 50% of the five-year average total return or 5% of market value on the measurement date. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

Funds with Deficits: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $0 as of June 30, 2014 and 2013.

7. Endowment Funds, Continued:

Endowment net asset composition by type of fund was as follows as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 1,043,493	$ 1,043,493
Board-designated funds	1,131,000	-	-	1,131,000
Investment gain	689,942	491,606	-	1,181,548
	$ 1,820,942	$ 491,606	$ 1,043,493	$ 3,356,041

Changes in endowment net assets were as follows for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 1,529,303	$ 327,730	$ 1,041,993	$ 2,899,026
Investment gain	345,526	194,156	-	539,682
New gifts	-	-	1,500	1,500
Appropriation of endowment income	(53,887)	(30,280)	-	(84,167)
Net assets, end of year	$ 1,820,942	$ 491,606	$ 1,043,493	$ 3,356,041

Endowment net asset composition by type of fund was as follows as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 1,041,993	$ 1,041,993
Board-designated funds	1,131,000	-	-	1,131,000
Investment gain	398,303	327,730	-	726,033
	$ 1,529,303	$ 327,730	$ 1,041,993	$ 2,899,026

7. Endowment Funds, Continued:

Changes in endowment net assets were as follows for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 1,324,719	$ 186,686	$ 1,039,993	$ 2,551,398
Investment gain	226,497	156,152	-	382,649
New gifts	-	-	2,000	2,000
Appropriation of endowment income	(21,913)	(15,108)	-	(37,021)
Net assets, end of year	$ 1,529,303	$ 327,730	$ 1,041,993	$ 2,899,026

8. Fair Value Measurements:

The Organization has adopted certain provisions of GAAP related to financial assets and liabilities and any other assets and liabilities that are carried at fair value on a recurring basis in the consolidated financial statements.

The guidance establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level that is significant to the fair value measurement of the asset or liability.

Classification of assets and liabilities within the hierarchy considers the market in which the assets or liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1 – Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

8. Fair Value Measurements, Continued:

Level 2 – Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

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

Level 3 – Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets carried at fair value:

Pledges receivable, net: Valued at the original gift amount, less payments received and a discount to account for payments expected in future periods beyond one year.

Multi-strategy equities and multi-strategy bonds: Valued at the net asset value ("NAV") of shares held of the funds by the Organization at year end. Multi-strategy equities allocate assets across a broad spectrum of equity strategies, including common stock of U.S. companies and other equity securities of foreign companies in both developed and emerging markets. Multi-strategy bonds allocate assets across a broad spectrum of fixed income sectors, including investing directly or indirectly in dollar-denominated investment grade bonds and other fixed income securities in an attempt to outperform the U.S. bond market. As of June 30, 2014 and 2013, the multi-strategy equities and bonds had no unfunded commitments and could be redeemed immediately upon notice with no other redemption restrictions.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2014 include the following:

	Fair Value Using Level 2	Assets at Fair Value
Assets:		
Pledges receivable, net	$ 83,997	$ 83,997
Marketable securities:		
Multi-strategy equities	5,619,793	5,619,793
Multi-strategy bonds	2,352,387	2,352,387
Total	$ 8,056,177	$ 8,056,177

8. Fair Value Measurements, Continued:

Assets and liabilities measured at fair value on a recurring basis at June 30, 2013 include the following:

	Fair Value Using Level 2	Assets at Fair Value
Assets:		
Pledges receivable, net	$ 48,309	$ 48,309
Marketable securities:		
Multi-strategy equities	4,800,355	4,800,355
Multi-strategy bonds	1,721,190	1,721,190
Total	$ 6,569,854	$ 6,569,854

9. Retirement Plan:

The Organization adopted a 401(k) defined contribution salary deferral plan covering substantially all employees. Under the plan, the Organization makes a matching contribution in the amount of 100% of the elective contributions made by the participants up to the first 3% of compensation, and 50% of the next 2% of compensation. Retirement plan expense incurred by the Organization was $32,216 for the year ended June 30, 2014 and $31,636 for the year ended June 30, 2013.

10. Commitments and Contingencies:

From time to time, the Organization may be involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial position or results of operations.