

**Shelter Association of Washtenaw County**

**Annual Financial Statements  
and Independent Auditors' Report**

**June 30, 2014 and 2013**

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## Independent Auditors' Report

To the Board of Directors  
Shelter Association of Washtenaw County

### Report on the Financial Statements

We have audited the accompanying financial statements of Shelter Association of Washtenaw County which comprise the statement of financial position as of June 30, 2014, and 2013 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shelter Association of Washtenaw County as of June 30, 2014, and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Yeo & Yeo, P.C.*

Ann Arbor, Michigan

September 2, 2014

**Shelter Association of Washtenaw County**  
**Statement of Financial Position**  
**June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 503,432	\$ 479,424
Receivables		
Other	293,812	211,246
Promises to give	81,844	54,106
Investments	1,482,455	1,376,012
Prepaid expenses	8,469	5,925
Total current assets	<u>2,370,012</u>	<u>2,126,713</u>
Promises to give, net of current portion	94,294	42,215
Property and equipment		
Property and equipment	107,477	107,477
Less accumulated depreciation	(53,647)	(38,342)
Net property and equipment	<u>53,830</u>	<u>69,135</u>
Total assets	<u>\$ 2,518,136</u>	<u>\$ 2,238,063</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 4,179	\$ 15,270
Accrued payroll and withholdings	92,156	83,345
Total current liabilities	<u>96,335</u>	<u>98,615</u>
Net assets		
Unrestricted		
Undesignated	968,425	765,889
Board designated	250,000	250,000
Total unrestricted net assets	<u>1,218,425</u>	<u>1,015,889</u>
Temporarily restricted	176,138	96,321
Permanently restricted	1,027,238	1,027,238
Total net assets	<u>2,421,801</u>	<u>2,139,448</u>
Total liabilities and net assets	<u>\$ 2,518,136</u>	<u>\$ 2,238,063</u>

See Accompanying Notes To Financial Statements

**Shelter Association of Washtenaw County**  
**Statement of Activities**  
**For the Years Ended June 30, 2014 and 2013**

	June 30, 2014				June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	2014	Unrestricted	Temporarily Restricted	Permanently Restricted	2013
Revenue and Support								
Contributions	\$ 353,712	\$ 176,750	\$ -	\$ 530,462	\$ 428,568	\$ 73,600	\$ -	\$ 502,168
In-kind donations	47,729	-	-	47,729	53,033	-	-	53,033
Grants	1,968,582	-	-	1,968,582	2,041,441	-	-	2,041,441
Special event revenue (net)	106,954	-	-	106,954	75,714	-	-	75,714
Net realized and unrealized gains on investments	115,650	-	-	115,650	101,179	-	-	101,179
Interest income	60,719	-	-	60,719	37,565	-	-	37,565
Miscellaneous income	37,915	-	-	37,915	48,179	-	-	48,179
<b>Total revenue and support</b>	<b>2,691,261</b>	<b>176,750</b>	<b>-</b>	<b>2,868,011</b>	<b>2,785,679</b>	<b>73,600</b>	<b>-</b>	<b>2,859,279</b>
Net assets released from restrictions								
Satisfaction of time restrictions	96,933	(96,933)	-	-	76,611	(76,611)	-	-
<b>Total revenue, support and net assets released from restrictions</b>	<b>2,788,194</b>	<b>79,817</b>	<b>-</b>	<b>2,868,011</b>	<b>2,862,290</b>	<b>(3,011)</b>	<b>-</b>	<b>2,859,279</b>
Expenses								
Program services	2,062,233	-	-	2,062,233	2,231,480	-	-	2,231,480
Support services								
Management and general	290,258	-	-	290,258	277,455	-	-	277,455
Fundraising	233,167	-	-	233,167	220,994	-	-	220,994
<b>Total expenses</b>	<b>2,585,658</b>	<b>-</b>	<b>-</b>	<b>2,585,658</b>	<b>2,729,929</b>	<b>-</b>	<b>-</b>	<b>2,729,929</b>
Change in net assets	202,536	79,817	-	282,353	132,361	(3,011)	-	129,350
Net assets - beginning of the year	1,015,889	96,321	1,027,238	2,139,448	883,528	99,332	1,027,238	2,010,098
Net assets - end of the year	<u>\$ 1,218,425</u>	<u>\$ 176,138</u>	<u>\$ 1,027,238</u>	<u>\$ 2,421,801</u>	<u>\$ 1,015,889</u>	<u>\$ 96,321</u>	<u>\$ 1,027,238</u>	<u>\$ 2,139,448</u>

See Accompanying Notes To Financial Statements

**Shelter Association of Washtenaw County**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2014**  
**(With comparative totals for June 30, 2013)**

	Program Services	Management and General	Fundraising	2014	2013
Salaries and wages	\$ 1,176,362	\$ 170,741	\$ 173,812	<b>\$ 1,520,915</b>	\$ 1,496,009
Employee benefits	121,424	28,759	13,112	<b>163,295</b>	155,698
Payroll taxes	126,889	25,479	11,105	<b>163,473</b>	173,286
Total payroll expenses	<u>1,424,675</u>	<u>224,979</u>	<u>198,029</u>	<u><b>1,847,683</b></u>	<u>1,824,993</u>
Conferences and meetings	1,169	2,338	2,338	<b>5,845</b>	900
Contracted services	59,993	10,969	-	<b>70,962</b>	63,502
Equipment repair and maintenance	3,282	3,045	917	<b>7,244</b>	8,199
Insurance	24,832	13,539	-	<b>38,371</b>	48,869
Occupancy - repair and maintenance	5,704	-	-	<b>5,704</b>	4,861
Occupancy - utilities	79,184	5,311	-	<b>84,495</b>	85,159
Postage and shipping	326	542	4,555	<b>5,423</b>	5,996
Printing and publications	-	1,599	14,388	<b>15,987</b>	18,538
Professional fees	-	16,150	-	<b>16,150</b>	16,150
Specific assistance to individuals	297,977	-	-	<b>297,977</b>	408,706
Supplies	127,918	911	911	<b>129,740</b>	168,269
Telephone	5,365	671	671	<b>6,707</b>	13,937
Travel	4,142	599	-	<b>4,741</b>	8,080
Other	13,126	8,840	11,358	<b>33,324</b>	38,322
Depreciation	14,540	765	-	<b>15,305</b>	15,448
Total expenses	<u><u>\$ 2,062,233</u></u>	<u><u>\$ 290,258</u></u>	<u><u>\$ 233,167</u></u>	<u><u>\$ 2,585,658</u></u>	<u><u>\$ 2,729,929</u></u>

See Accompanying Notes To Financial Statements

**Shelter Association of Washtenaw County**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2013**

	Program Services	Management and General	Fundraising	2013
Salaries and wages	\$ 1,172,171	\$ 161,160	\$ 162,678	<b>\$ 1,496,009</b>
Employee benefits	115,691	27,413	12,594	<b>155,698</b>
Payroll taxes	135,560	26,306	11,420	<b>173,286</b>
<b>Total payroll expenses</b>	<b>1,423,422</b>	<b>214,879</b>	<b>186,692</b>	<b>1,824,993</b>
Conferences and meetings	180	360	360	<b>900</b>
Contracted services	60,570	2,932	-	<b>63,502</b>
Equipment repair and maintenance	3,728	3,530	941	<b>8,199</b>
Insurance	31,841	17,028	-	<b>48,869</b>
Occupancy - repair and maintenance	4,861	-	-	<b>4,861</b>
Occupancy - utilities	79,345	5,814	-	<b>85,159</b>
Postage and shipping	359	600	5,037	<b>5,996</b>
Printing and publications	-	1,854	16,684	<b>18,538</b>
Professional fees	-	16,150	-	<b>16,150</b>
Specific assistance to individuals	408,706	-	-	<b>408,706</b>
Supplies	166,957	656	656	<b>168,269</b>
Telephone	11,149	1,394	1,394	<b>13,937</b>
Travel	7,122	958	-	<b>8,080</b>
Other	18,564	10,528	9,230	<b>38,322</b>
Depreciation	14,676	772	-	<b>15,448</b>
<b>Total expenses</b>	<b>\$ 2,231,480</b>	<b>\$ 277,455</b>	<b>\$ 220,994</b>	<b>\$ 2,729,929</b>

See Accompanying Notes To Financial Statements



**Shelter Association of Washtenaw County**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2014 and 2013**

	2014	2013
Cash flows from operating activities:		
Change in net assets	<b>\$ 282,353</b>	\$ 129,350
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation	<b>15,305</b>	15,448
Net realized and unrealized gains on investments	<b>(115,650)</b>	(101,179)
Increase (decrease) in:		
Receivables	<b>(162,383)</b>	(69,006)
Prepaid expenses	<b>(2,544)</b>	10,769
Accounts payable	<b>(11,091)</b>	13,130
Accrued liabilities	<b>8,811</b>	16,848
Deferred revenue	<b>-</b>	(28,730)
	<b>14,801</b>	(13,370)
Net cash provided (used) by operations		
Cash flows from investing activities:		
Purchase of investments	<b>(225,327)</b>	(212,509)
Proceeds from sale of investments	<b>234,534</b>	220,555
	<b>9,207</b>	8,046
Net cash provided by investing activities		
Net change in cash and cash equivalents	<b>24,008</b>	(5,324)
Cash and cash equivalents, beginning of the year	<b>479,424</b>	484,748
Cash and cash equivalents, end of the year	<b>\$ 503,432</b>	\$ 479,424

See Accompanying Notes To Financial Statements

**Shelter Association of Washtenaw County**  
**Notes to Financial Statements**  
**June 30, 2014**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Shelter Association of Washtenaw County (the “Shelter Association”) is a Michigan non-profit organization, based in Ann Arbor, Michigan, offering a variety of services and intensive case management to individuals who are experiencing homelessness. Services include immediate needs related to food, clothing, and transportation. Extended assistance related to substance abuse treatment, health care, permanent housing, and money management may also be provided. The Shelter Association also participates in the Shelter Plus Care Program, which is aimed at moving clients from overnight shelters to a subsidized apartment of similar setting. In 2010 the Shelter Association became the lead agency for two additional rent subsidy programs – The Tenant Based Rent Assistance Program and the federally funded Homelessness Prevention/Rapid Re-Housing Program. Sources of revenues are grants and contributions.

Basis of Accounting

The accompanying 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

Net assets of the Shelter Association, and changes therein, are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

**Shelter Association of Washtenaw County**  
**Notes to Financial Statements**  
**June 30, 2014**

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Donated Services and Goods

The Shelter Association records the value of donated goods as contributions using estimated fair values at the date of receipt. The Shelter Association recognized donated supplies of \$47,729 and \$53,033 for the years ended June 30, 2014 and 2013, respectively.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. While a significant amount of volunteered services was received, the Shelter Association did not receive any donated services for the years ended June 30, 2014 and 2013 that met the criteria to be recorded.

Cash and Cash Equivalents

The Shelter Association considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents except for temporary investment funds considered to be part of the investment portfolio. The carrying amount of the Shelter Association's deposits with financial institutions at year end was \$503,432. The actual bank balance amounted to \$467,731. Of these balances \$250,000 was insured by the FDIC.

Accounts Receivable

The Shelter Association uses the allowance method for accounting for doubtful accounts. Management regularly reviews the collection history of its receivables balances with particular attention given to those amounts greater than 90 days old. Based on management's review all amounts will be collectible, no allowance was deemed necessary as of June 30, 2014 and 2013.

Investments

Investments are stated at fair value based on quoted prices in active markets. Realized gains and losses on sales of investments represent the difference between the net sales price and the cost of securities sold. Unrealized gains and losses on investments represent the net change for the reported year in unrealized appreciation between the balance at the beginning and the end of the year. Donated investments are reflected as contributions at their market values at date of receipt.

Property, Furniture and Equipment

Furniture and equipment are stated at cost or fair market value at the date received. Property, furniture and equipment with costs exceeding \$2,500 will be capitalized. Minor maintenance and repair costs will be expensed.

Depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The Shelter estimates the useful life of its assets between 5 and 10 years.

Functional Expenses

The allocation of expenses to the functional programs and management and general categories was computed using allocation percentages historically used during preparation of The Shelter Association budget.

**Shelter Association of Washtenaw County**  
**Notes to Financial Statements**  
**June 30, 2014**

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Income Tax Status

The Shelter Association is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization other than a private foundation, as described in Section 509(a). The Shelter Association files information returns in the U.S Federal and Michigan jurisdiction. The statute of limitations is generally three years for federal returns and four years for Michigan returns.

Risks and Uncertainties

The Shelter Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, 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 balance sheet.

Use of 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.

Subsequent Events

Management has evaluated subsequent events through September 2, 2014, which is the date the financial statements were available to be issued.

**NOTE 2 – PROMISES TO GIVE**

Promises to give are scheduled to be collected as follows:

Year Ended December 31,	
2015	\$ 81,844
2016	73,212
2017	16,082
2018	5,000
	<u>\$176,138</u>

All recognized promises to give as of June 30, 2014 are unconditional. No allowance was deemed necessary for promises to give as they were deemed fully collectible by management.

Promises to give activity for 2014 is detailed as follows:

Balance beginning of the year	\$ 96,321
Add: new pledges	176,750
Less: collections	<u>(96,933)</u>
Balance end of the year	<u>\$176,138</u>

**Shelter Association of Washtenaw County**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 3 – INVESTMENTS**

The fair value of the investment account consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Cash	\$ 19,110	\$ 74,483
Certificates of deposit	199,721	141,766
Money market funds	64,753	70,650
Bonds	50,321	44,731
Mutual funds	1,148,550	1,044,382
Total investments	<u>\$ 1,482,455</u>	<u>\$ 1,376,012</u>

Investment income is composed of the following at June 30:

	<u>2014</u>	<u>2013</u>
Dividends and interest	\$ 60,719	\$ 37,565
Realized gain on sale of investments	20,910	9,139
Unrealized gain (loss) on investments	94,740	92,040
	<u>\$ 176,369</u>	<u>\$ 138,744</u>

Investment fees for the year ended June 30, 2014 and 2013 amounted to \$6,928 and \$4,803, respectively.

**NOTE 4 – PROPERTY, PLANT AND EQUIPMENT**

	<u>2014</u>	<u>2013</u>
Building and building improvements	\$ 60,483	\$ 60,483
Furniture and equipment	28,246	28,246
Software	18,748	18,748
	<u>107,477</u>	<u>107,477</u>
Less: accumulated depreciation	(53,647)	(38,342)
Furniture and equipment (net)	<u>\$ 53,830</u>	<u>\$ 69,135</u>

Depreciation expense was \$15,305 and \$15,448 for the years ended June 30, 2014 and 2013, respectively.

**Shelter Association of Washtenaw County**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 5 – GRANTS**

The following represents details of grant revenue for the fiscal year ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Washtenaw County - PATH	\$ 63,780	\$ 74,152
Washtenaw County - Emergency	205,856	207,551
Washtenaw County - Health Plan	90,000	112,500
Washtenaw County - PATH Warming Center	65,000	65,000
Washtenaw County - PATH Warming Center Ext.	35,000	-
Washtenaw County - PATH Federal	20,000	20,000
Washtenaw County - General Funds	79,087	52,152
OCD for Health Clinic	39,673	40,000
WCHO Risk Reduction	-	53,106
Salvation Army	178,896	226,080
Tenant Based Rental Assistance	28,425	145,871
National Emergency Food and Shelter	11,210	5,606
Shelter Plus Care	263,919	254,092
Shelter Plus Care - Tenant Portion	6,538	5,730
United Way/Coordinated Funding	94,152	80,993
Michigan State Department of Housing Authority	45,606	26,146
Michigan Department of Community Health	4,385	4,237
Foundations and other organizations	465,983	477,871
Department of Veterans Affairs	271,072	190,354
	<u>\$ 1,968,582</u>	<u>\$ 2,041,441</u>

**NOTE 6 – SPECIAL FUND-RAISING EVENTS**

The Shelter Association hosts events during the year to raise funds for program services.

A summary of fund-raising events during the year ended June 30, 2014 is as follows:

	<u>Almost Home Golf Outing</u>
Total contributed revenue	\$ 133,270
Direct expenses	<u>(26,316)</u>
Net revenue from events	<u>\$ 106,954</u>

A summary of fund-raising events during the year ended June 30, 2013 is as follows:

	<u>Almost Home Golf Outing</u>
Total contributed revenue	\$ 102,830
Direct expenses	<u>(27,116)</u>
Net revenue from events	<u>\$ 75,714</u>

**NOTE 7 – OPERATING AGREEMENT – DOWNTOWN  
SHELTER (ROBERT J. DELONIS CENTER)**

On December 1, 2003, the Shelter Association entered into a sub-agreement with the Washtenaw Housing Alliance (a not-for-profit organization and lead agency designated by Washtenaw County) to operate the new downtown shelter located at 312 W. Huron Street through July 31, 2017. The Shelter Association is also responsible for providing integrated, comprehensive services to the homeless. Washtenaw County is the owner of the facility (including furniture, fixtures, and equipment) and bears responsibility for maintenance and repairs. Washtenaw County

**Shelter Association of Washtenaw County**  
**Notes to Financial Statements**  
**June 30, 2014**

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does not charge rent, but does require the Shelter Association to pay the utilities. The Shelter Association finances operations through various government and local grants and contributions.

**NOTE 8 – NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2014	2013
Time restrictions	\$ 96,933	\$ 76,611

**NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS**

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

	2014	2013
Individual pledges	\$ 176,138	\$ 96,321

**NOTE 10 – BOARD DESIGNATED NET ASSETS**

The Board of Directors of the Shelter Association has voluntarily designated \$250,000 as of June 30, 2014 and 2013, respectively, whose purpose is to be held for emergency expenses.

**NOTE 11 – RETIREMENT PLAN**

The Shelter Association has a defined contribution salary deferral plan qualified under Internal Revenue Code Section 408 (p). Under the plan, the Shelter Association matches employee contributions 100% up to 3% of each participant's wages. The contributions to the plan amount to \$14,291 and \$13,857 for the year ended June 30, 2014 and 2013, respectively.

**NOTE 12 – CONTINGENCIES**

The Shelter Association participates in several federally assisted grant programs. These programs are subject to financial and compliance audits by the grantor or its representatives, the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Management feels that any liability for reimbursement which could arise as the result of a grantor audit would not be material.

**NOTE 13 – FAIR VALUE MEASUREMENTS**

Fair value is defined as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc).

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Shelter Association's financial assets and liabilities are not indicators of the risks associated with those instruments.

**Shelter Association of Washtenaw County**  
**Notes to Financial Statements**  
**June 30, 2014**

Fair values of assets measured on a recurring basis at June 30, 2014 are as follows:

**Fair Value Measurements using:**

	Quoted prices in Active Markets for Identical Assets (Level 1)
Money Market Mutual Fund	64,753
Mutual Funds	1,148,550
Bonds	50,321
Certificates of Deposit - securities	199,721
	<b>\$ 1,463,345</b>

Fair values of assets measured on a recurring basis at June 30, 2013 are as follows:

**Fair Value Measurements using:**

	Quoted prices in Active Markets for Identical Assets (Level 1)
Money Market Mutual Fund	70,650
Mutual Funds	1,044,382
Bonds	44,731
Certificates of Deposit - securities	141,766
	<b>\$ 1,301,529</b>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

**NOTE 14 – DONOR AND BOARD RESTRICTED ENDOWMENTS**

The Shelter Association's endowment consists entirely of donor-restricted endowment funds and is classified based on those donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Shelter Association 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 Shelter Association 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 unrestricted net assets unless otherwise specified by the donor. In accordance with UPMIFA, the organization exercises the standard of ordinary business care and prudence when determining the amount of earnings and gains to appropriate for expenditure of to accumulate within the endowment fund. The Shelter Association considers the following factors in exercising this standard of care: (1) The long-term and short-term needs of the organization in carrying out its charitable purpose; (2) The present and



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anticipated financial requirements of the organization; (3) The expected total return on investments (4) Price level trends; and (5) General economic conditions.

The endowment net asset composition by type of fund as of June 30, 2014 is as follows:

	Unrestricted	Permanently Restricted	Total
Donor-restricted	<u>\$ 240,326</u>	<u>\$ 1,027,238</u>	<u>\$ 1,267,564</u>

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

	Unrestricted	Permanently Restricted	Total
Beginning of year	\$ 134,083	\$ 1,027,238	\$ 1,161,321
Distributions	(63,000)	-	(63,000)
Investment income	60,168	-	60,168
Investment fees	(6,928)	-	(6,928)
Realized gain	20,910	-	20,910
Unrealized gain	95,093	-	95,093
End of year	<u>\$ 240,326</u>	<u>\$ 1,027,238</u>	<u>\$ 1,267,564</u>

The endowment net asset composition by type of fund as of June 30, 2013 is as follows:

	Unrestricted	Permanently Restricted	Total
Donor-restricted	<u>\$ 134,083</u>	<u>\$ 1,027,238</u>	<u>\$ 1,161,321</u>

The changes in endowment net assets for the year ended June 30, 2013 are as follows:

	Unrestricted	Permanently Restricted	Total
Beginning of year	\$ 41,779	\$ 1,027,238	\$ 1,069,017
Distributions	(41,000)	-	(41,000)
Investment income	35,596	-	35,596
Investment fees	(4,803)	-	(4,803)
Realized gain	9,139	-	9,139
Unrealized loss	93,372	-	93,372
End of year	<u>\$ 134,083</u>	<u>\$ 1,027,238</u>	<u>\$ 1,161,321</u>

Return Objectives and Risk Parameters

The Shelter Association has adopted a policy to ensure a total return (yield plus capital appreciation) necessary to preserve and enhance (in real dollar terms) the principal of the funds, and at the same time, provide a dependable source of support for current projects of the Shelter Association.

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Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Shelter Association's return objective is to optimize total real rate of return (adjusted for inflation) as measured over a three to five year market period against appropriate weighted market indices. The asset mix of the endowment fund is to range approximately within the following limits: fixed income instruments and equity instruments not to exceed total investment balances by 20 percent to 40 percent and 60 percent to 80 percent, respectively.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Shelter Association's finance committee will review annually and recommend a spending percentage not to exceed 5% of the prior fiscal year end balances of the endowment account.