The Open Hearth Association, Inc.

Financial Statements
and Independent Auditor's Report

December 31, 2013 and 2012

The Open Hearth Association, Inc.

Index

Independent Auditor's Report

To the Board of Directors
The Open Hearth Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Open Hearth Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 The Open Hearth Association, Inc. as of December 31, 2013 and 2012, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated June 10, 2014, on our consideration of The Open Hearth Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Open Hearth Association, Inc.'s internal control over financial reporting and compliance.

CohnReznick LLP

Glastonbury, Connecticut
June 10, 2014

The Open Hearth Association, Inc.

Statements of Financial Position
December 31, 2013 and 2012

Assets	2013	2012
Current assets:		
Cash and cash equivalents	$ 266,958	$ 275,149
Custodial cash	43,345	25,013
Accounts receivable	3,845	14,116
Grants receivable	55,964	87,560
Inventory	3,057	29,557
Prepaid expenses	36,329	39,046
Total current assets	409,498	470,441
Property and equipment, net	2,387,180	2,543,087
Other assets:		
Property available for sale	75,222	117,017
Investments, endowment	2,883,667	2,414,178
Other assets	-	628
Total other assets	2,958,889	2,531,823
Total assets	$ 5,755,567	$ 5,545,351

Liabilities and Net Assets	2013	2012
Current liabilities:		
Line of credit	$ -	$ 195,000
Accounts payable	54,138	38,725
Accrued expenses	171,343	158,334
Deferred revenue	12,212	-
Custodial liability	43,345	25,013
Current portion of capital lease	16,872	16,872
Total current liabiilties	297,910	433,944
Long-term liability:		
Capital lease, net of current portion	4,218	21,089
Total liabiilties	302,128	455,033
Net assets:		
Board designated endowment	2,697,269	2,256,629
Undesignated	15,546	200,855
Total unrestricted	2,712,815	2,457,484
Temporarily restricted	2,583,075	2,475,285
Permanently restricted	157,549	157,549
Total net assets	5,453,439	5,090,318
Total liabilities and net assets	$ 5,755,567	$ 5,545,351

See Notes to Financial Statements.

The Open Hearth Association, Inc.

Statements of Activities
Years Ended December 31, 2013 and 2012

	2013	2012
Changes in unrestricted net assets:		
Revenue and support:		
Governmental and other grants	$ 1,341,807	$ 1,398,142
Program fees	83,029	78,552
In-kind contributions	308,210	254,065
Contributions	146,164	13,304
Wood sales	267,713	235,324
Home Ownership Program income	21,166	18,427
Investment income	41,906	41,586
Net assets released from restrictions	442,379	505,384
Total unrestricted revenues and other support	2,652,374	2,544,784
Operating expenses:		
Shelter and transitional living	1,537,495	1,425,167
Wood yard	390,924	391,593
Home Ownership Program	25,344	45,788
Development	112,712	93,795
Management and general	287,803	354,730
In-kind expenses	308,210	254,065
Depreciation	190,344	196,427
Total expenses	2,852,832	2,761,565
Change in unrestricted net assets before other changes	(200,458)	(216,781)
Other changes in unrestricted net assets:		
Unrealized/realized gains on investments	455,789	224,209
Change in unrestricted net assets	255,331	7,428
Changes in temporarily restricted net assets:		
Contributions	514,444	410,032
Investment income	3,009	2,953
Unrealized/realized gains on investments	32,716	16,101
Net assets released from restrictions	(442,379)	(505,384)
Change in temporarily restricted net assets	107,790	(76,298)
Change in net assets	363,121	(68,870)
Net assets, beginning of year	5,090,318	5,159,188
Net assets, end of year	$ 5,453,439	$ 5,090,318

See Notes to Financial Statements.

The Open Hearth Association, Inc.

Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Operating activities:		
Change in net assets	$ 363,121	$ (68,870)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gain on investments	(432,202)	(218,718)
Realized gain on investments	(56,303)	(21,592)
Depreciation and amortization	190,344	196,427
Loss from sale of property held for sale	3,884	24,151
Bad debt expense	35	-
Changes in operating assets and liabilities:		
Custodial cash	(18,332)	366
Accounts receivable	10,236	(11,303)
Grants receivable	31,596	(60,273)
Inventory	26,500	55,809
Prepaid expenses	2,717	(8,133)
Other assets	628	-
Accounts payable	15,413	(52,685)
Accrued expenses	13,009	24,138
Deferred support	12,212	(6,121)
Custodial liability	18,332	(366)
Net cash provided by (used in) operating activities	181,190	(147,170)
Investing activities:		
Proceeds from sale of investments	906,349	853,389
Proceeds from sale of property held for sale	22,564	105,535
Purchase of investments	(887,333)	(890,923)
Purchase of property and equipment	(19,090)	(77,230)
Net cash provided by (used in) investing activities	22,490	(9,229)
Financing activities:		
Capital lease repayments	(16,871)	(12,654)
Line of credit borrowings	150,000	250,000
Line of credit repayments	(345,000)	(55,000)
Net cash provided by (used in) financing activities	(211,871)	182,346
Net increase (decrease) in cash	(8,191)	25,947
Cash, beginning of year	275,149	249,202
Cash, end of year	$ 266,958	$ 275,149
Cash paid during the year for interest	$ 340	$ 12,714
Supplemental disclosure of noncash investing and financing transactions:		
Total additions of property and equipment	$ 19,090	$ 127,845
Less amounts financed through capital lease	-	(50,615)
Total cash used for purchase of property and equipment	$ 19,090	$ 77,230

See Notes to Financial Statements.

Note 1 - Organization and summary of significant accounting policies

Nature of activities

The Open Hearth Association, Inc. (the "Association") is a nonprofit corporation organized to provide food and shelter to homeless and unemployed men and provide them rehabilitation and vocational guidance to enable them to re-establish themselves in the workforce.

The Association maintains a wood yard in which residents assist in operations. The Association also maintains a kitchen run by residents for the welfare of all residents. Other programs are provided to enable the residents to transition into the mainstream workforce.

The Association receives its funding from a variety of sources, including contributions and bequests, grants, contracts, sales of wood products, investments and fees for program services.

Basis of presentation

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. The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

<u>Unrestricted</u> - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

<u>Temporarily Restricted</u> - Net assets whose use by the Association is subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Association or that expire by the passage of time.

<u>Permanently Restricted</u> - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Association and stipulate the use of income and/or appreciation as either unrestricted or temporarily restricted based on donor-imposed stipulations or by operation of law.

Tax exempt status

The Association is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore, has made no provision for Federal or state income taxes in the accompanying financial statements.

The Association has no unrecognized tax benefits at December 31, 2013 and 2012. The Association's Federal information returns prior to calendar year 2010 are closed and management continually evaluates existing statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If the Association were to have unrelated business income taxes, the Association would recognize interest and penalties associated with uncertain tax positions as part of income tax expense and include accrued interest and penalties with the related tax liability in the statements of financial position.

Cash and cash equivalents
The Association considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. There were no cash equivalents as of December 31, 2013 and 2012.

Custodial cash
The Association has a policy requiring residents to save for future support once they leave the shelter programs. These residents' funds held by the Association are reported as custodial cash and a corresponding custodial liability on the statements of financial position.

Investments
The Association reports investments at their current fair value and reflects any gain or loss within the accompanying statements of activities. Gains and losses are considered unrestricted unless restricted by donor stipulation or law.

Receivables
Management considers the collectability of receivables based on past history, current economic conditions and overall viability of the third party. Receivables are written off only when management believes amounts will not be collected. The Association had bad debts in the amount of $35 for the year ended December 31, 2013. There was no bad debt expense for the year ended December 31, 2012.

Receivables arising from regular operations are stated net of an allowance for doubtful accounts. Allowances are set based on assessments by management as to the collectability of individual accounts. There was no allowance for doubtful accounts at December 31, 2013 and 2012.

Inventory
Inventory consists of firewood and is valued at the lower of average cost or market value.

Property and equipment
The Association capitalizes all expenditures for equipment in excess of $500 and a useful life greater than three years. Property and equipment is recorded at cost. Depreciation of property and equipment is reflected on the straight-line method for financial reporting purposes over the estimated useful lives of the assets.

Estimated useful lives for financial reporting purposes are as follows:

Asset	Term
Building and building improvements	3 - 40 years
Machinery and other equipment	3 - 15 years
Furniture and fixtures	3 - 15 years
Automotive equipment	5 years
Wood yard	5 - 10 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the changes in net assets for the period.

Property available for sale

Property available for sale consists of residential condominium units purchased for sale to residents graduating from the Association's recovery programs. The condominiums are rented to residents while they work to qualify to purchase the properties.

Impairment of long-lived assets

The Association evaluates long-lived assets for impairment annually or whenever events or changes indicate the carrying value may not be recoverable. If the sum of the estimated future undiscounted cash flows is less than the carrying value of the related assets, a loss is recognized for the difference between the present value of the estimated net cash flows or comparable market values and the carrying value of the asset or group of assets. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment losses for 2013 and 2012.

Gifts of long-lived assets

When applicable, the Association reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support

Revenue recognition

Grants and contracts

The Association recognizes grants to the extent that eligible grant costs are incurred. Receivables are recognized to the extent that costs have been incurred, but not reimbursed. Deferred grant revenue represents grant advances which exceed eligible costs incurred.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to grantors. As of December 31, 2013 and 2012, the Association has not been informed by any agencies (including the Departments of Social Services, Housing and Correction) of any funds which are required to be returned.

Contributions
Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

In-kind contributions
The Association recognizes contributed facilities, food donations and services in the accompanying financial statements at their estimated fair values. Contributed services are recognized in the financial statements if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition in the financial statements. However, a substantial number of volunteers have donated significant amounts of time to the Association's programs.

Endowment fund
The Association's permanently restricted net assets include donor-restricted funds and funds designated by the Board of Trustees to function as an endowment. Net assets associated with these funds are classified and reported based on the existence of donor-imposed restrictions.

Investment and spending policy
The Association’s investment policy over endowment assets attempts to maximize long-term returns through a focus on capital appreciation with current income being of secondary importance. Under this policy, investments are intended to assume a conservative level of investment risk. The Association has a general spending policy of 4% of the endowment’s fair value, although additional draws are necessary from time to time to meet operating needs.

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

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.

Reclassification
Certain prior year information has been reclassified to conform with the current year financial statement presentation.

Subsequent events
The Association has evaluated events and transactions for potential recognition or disclosure through June 10, 2014, which is the date the financial statements were available to be issued.

Note 2 - Concentrations

Concentrations of credit risk
Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of temporary cash investments and receivables. Concentrations of credit risk with respect to grants receivable are limited to contractual agreements with various state agencies. Concentrations of credit risk with respect to accounts receivable are limited to amounts due from various businesses and individuals in the Hartford area. The Association maintains deposits in financial institutions that may, at times, exceed Federal depository insurance limits. Management believes that the Association's deposits are not subject to significant credit risk.

Funding source concentrations
The following grantor agencies provided over 10% of the Association's total support and revenue for the year ended December 31, 2013:

Granting Agency	% of Revenue	% of Receivable
Department of Correction	28.2%	-%

The following grantor agencies provided over 10% of the Association's total support and revenue for the year ended December 31, 2012:

Granting Agency	% of Revenue	% of Receivable
Department of Social Services	16.4%	29.3%
Department of Correction	37.2%	-%

Note 3 - Investments and fair value measurement

The Association values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurement, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers the counterparty credit risk in its assessment of fair value.

Financial assets carried at fair value at December 31, 2013 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 113,579	$ -	$ -	$ 113,579
Equity mutual funds:				
U.S. Large Cap	1,243,214	-	-	1,243,214
U.S. Mid Cap	241,117	-	-	241,117
U.S. Small Cap	198,628	-	-	198,628
International	297,974	-	-	297,974
Emerging markets	134,768	-	-	134,768
Fixed income:				
Investment grade	321,940	-	-	321,940
International	170,882	-	-	170,882
Real estate	87,112	-	-	87,112
Commodities	74,453	-	-	74,453
Total	$ 2,883,667	$ -	$ -	$ 2,883,667

Financial assets carried at fair value at December 31, 2012 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 160,506	$ -	$ -	$ 160,506
Equity mutual funds:				
U.S. Large Cap	1,089,949	-	-	1,089,949
U.S. Mid Cap	186,099	-	-	186,099
U.S. Small Cap	147,851	-	-	147,851
International	175,325	-	-	175,325
Emerging markets	131,834	-	-	131,834
Fixed income:				
Investment grade	301,023	-	-	301,023
International	112,988	-	-	112,988
Real estate	51,749	-	-	51,749
Commodities	56,854	-	-	56,854
	$ 2,414,178	$ -	$ -	$ 2,414,178

The following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodology used at December 31, 2013.

Investments in money market funds, equity mutual funds, fixed income, real estate and commodities are designated as Level 1 that are listed on a national securities exchange are valued at the last sales price on the valuation date.

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

Investment return is summarized as follows:

	2013	2012
Interest income	$ 44,915	$ 44,539
Investment fees	-	(465)
Unrealized gain on investments	432,202	218,718
Realized gain on investments	56,303	21,592
Totals	$ 533,420	$ 284,384

Note 4 - Property and equipment

Net property and equipment consisted of the following at December 31,

	2013	2012
Building and building improvements	$ 4,836,184	$ 4,836,184
Machinery and other equipment	240,821	228,744
Furniture and fixtures	25,005	22,232
Automotive equipment	139,389	135,149
Wood yard	131,075	131,075
	5,372,474	5,353,384
Less accumulated depreciated	2,985,294	2,810,297
Net property and equipment	$ 2,387,180	$ 2,543,087

Note 5 - Line of credit

In June 2008, the Association entered into a $250,000 working capital revolving line of credit agreement with Bank of America bearing interest at the Wall Street Journal Prime Rate plus 1.5%, payable monthly. In February 2013, the line of credit was amended to allow borrowings up to $500,000. Borrowings under this agreement are collateralized by substantially all of the Association's assets. The line of credit was renewed through June 24, 2014, bearing interest at the bank's prime rate plus .75%. Interest expense incurred on the line of credit was $340 and $12,714 for the years ended December 31, 2013 and 2012, respectively.

Note 6 - Capital lease

The Association has a lease agreement for equipment. This obligation is treated as a capital lease and has been recorded in the accompanying financial statements at the present value of future minimum lease payments. The assets are amortized over the shorter of their related lease terms or their estimated productive lives. Amortization of assets held under capital leases is included in depreciation expense.

Accordingly, the assets were capitalized as follows:

	2013	2012
Equipment	$ 50,615	$ 50,615
Less accumulated amortization	(29,525)	(12,654)
Totals	$ 21,090	$ 37,961

Future minimum lease payments due under the noncancelable capital lease subsequent to December 31, 2013 are as follows:

Year Ending December 31,	
2014	$ 16,872
2015	4,218
Total future minimum lease payments	21,090
Less amount representing interest	-
Subtotal	21,090
Less current portion	16,872
Long-term portion	$ 4,218

Note 7 - Temporarily restricted net assets

Temporarily restricted net assets are available for the following purpose or time restrictions at December 31, 2013 and 2012:

	2013	2012
Passage of time:		
Life of equipment and building improvements purchased with grants	$ 2,086,630	$ 2,199,715
Other time restricted	1,500	1,500
Purpose restrictions:		
Resident training and programs	294,457	178,500
Food	121,528	70,570
Building - repairs	50,000	25,000
Endowment	28,960	-
	$ 2,583,075	$ 2,475,285

Temporarily restricted net assets released from restrictions during 2013 and 2012 by incurring expenses satisfying the following purpose or time restrictions were as follows:

	2013	2012
Passage of time:		
Life of equipment and building improvements purchased with grants	$ 113,085	$ 113,085
Other time restricted	-	81,822
Purpose restrictions:		
Resident training and programs	245,126	137,693
Food	77,403	102,391
Equipment purchase	-	51,339
Endowment	6,765	19,054
	$ 442,379	$ 505,384

Note 8 - Endowment

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (“CTUPMIFA”) 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 Association classified 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 Association in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

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

(1) The duration and preservation of the various funds;
(2) The purposes of the Association and the donor-restricted endowment funds;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the Association; and
(7) The Association's investment policies.

Endowment net asset composition by type of fund as of December 31, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 28,960	$ 157,549	$ 186,509
Board-designated endowment funds	2,697,269	-	-	2,697,269
Total funds	$ 2,697,269	$ 28,960	$ 157,549	$ 2,883,778

Changes in endowment net assets for the year ended December 31, 2013 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,256,629	$ -	$ 157,549	$ 2,414,178
Investment return:				
Investment income	42,216	3,009	-	45,225
Investment gain	455,589	32,716	-	488,305
Transfers	970	(970)	-	-
Contributions	22,564	-	-	22,564
Expenditure of endowment assets	(80,699)	(5,795)	-	(86,494)
Endowment net assets, end of year	$ 2,697,269	$ 28,960	$ 157,549	$ 2,883,778

Endowment net asset composition by type of fund as of December 31, 2012 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (970)	$ -	$ 157,549	$ 156,579
Board-designated endowment funds	2,257,599	-	-	2,257,599
Total funds	$ 2,256,629	$ -	$ 157,549	$ 2,414,178

Changes in endowment net assets for the year ended December 31, 2012 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,973,542	$ 5,243	$ 157,549	$ 2,136,334
Investment return:				
Investment income	40,811	2,953	-	43,764
Investment gain	224,209	16,101	-	240,310
Transfers	18,855	(18,855)	-	-
Contributions	75,000	-	-	75,000
Expenditure of endowment assets	(75,788)	(5,442)	-	(81,230)
Endowment net assets, end of year	$ 2,256,629	$ -	$ 157,549	$ 2,414,178

As of December 31, 2013 and 2012, donor-restricted endowment funds in the amount of $157,549 are classified as permanently restricted net assets. The earnings on these funds are to be used to support operations.

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 applicable law requires the Association to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were $970 as of December 31, 2012. These deficiencies resulted from unfavorable market fluctuations that occurred during the year. There were no deficiencies as of December 31, 2013.

Note 9 - In-kind contributions

The Association received donated property and food in connection with its shelter and transitional living programs. The fair value of these items for the years ended December 31, 2013 and 2012 is as follows:

	2013	2012
Rent	$ 100,000	$ 100,000
Food	208,210	154,065
	$ 308,210	$ 254,065

The Association has recognized corresponding rent and food expense in the accompanying statements of activities.

Note 10 - Employee benefit plans

Defined contribution plan

The Association has a qualified non-contributory defined contribution plan to provide retirement benefits for all eligible employees. The minimum eligibility requirements for the plan are 21 years of age and one year of service. Vesting is graduated over five years or attainment of early retirement age (55). The Association's contribution was suspended on October 1, 2009, as part of the Association's cost cutting measures. As such, there were no contributions to the defined contribution plan during the years ended December 31, 2013 and 2012.

Defined benefit plan

The Association has a non-contributory defined benefit pension plan that covered certain eligible employees. The defined benefit plan is frozen and participants accrue no additional benefits under the plan. Accordingly, at December 31, 2013 and 2012, the projected benefit obligation and accumulated benefit obligation were equal to $63,000 and $58,000, respectively. The plan provides for benefits of stated amounts for each year of service. The fair value of the plan assets at December 31, 2013 and 2012 was $44,226 and $47,720, respectively. At December 31, 2013 and 2012, the under funded status was $18,774 and $10,280, respectively, and is reported as accrued expenses on the statements of financial position.

The following table summarizes the benefit obligations, the fair value of plan assets and the funded status for 2013 and 2012:

	2013	2012
Projected benefit obligation at beginning of year:	$ 58,000	$ 92,738
Actuarial loss	5,000	3,185
Benefits paid	-	(37,923)
Projected benefit obligation at end of year	$ 63,000	$ 58,000
Fair value of plan assets at beginning of year:	$ 47,720	$ 89,639
Return on plan assets	501	910
Actuarial expense	(3,995)	(4,906)
Benefits paid	-	(37,923)
Fair value of plan assets at end of year	$ 44,226	$ 47,720
Underfunded status	$ (18,774)	$ (10,280)

The defined benefit pension plan assets are held in a trust. The Association, with the assistance of an outside consultant, establishes investment guidelines. These guidelines are based on market conditions, risk tolerance, funding requirements and benefit payments. As pension liabilities are long-term in nature, the Association employs a long-term total return approach to maximize the long-term rate of return on plan assets. An annual analysis on the risk versus the return of the investment portfolio is conducted to justify the expected long-term rate of return assumption.

The investment portfolio consists principally of equities and fixed income securities. The Association believes with prudent risk tolerance and asset diversification, the pension plan should be able to meet its future benefit obligation. Association allocation for the pension plan is as follows as of December 31, 2013 and 2012:

Fixed income securities	100.0%

The pension assets carried at fair value at December 31, 2013 are classified in the table below:

	Level 1	Level 2	Level 3	Total
Fixed income securities	$ -	$ -	$ 44,226	$ 44,226

The pension assets carried at fair value at December 31, 2012 are classified in the table below:

	Level 1	Level 2	Level 3	Total
Fixed income securities	$ -	$ -	$ 47,720	$ 47,720

The Plan values its financial assets of the Plan based on the fair value hierarchy as disclosed in Note 3. The fixed income securities are designated as a Level 3 investment and is valued by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer.

The following table sets forth a summary of changes in the fair value of the Association's Level 3 assets for the years ended December 31, 2013 and 2012:

	2013	2012
Fixed income securities		
Balance, beginning of year	$ 47,720	$ 89,639
Purchases	501	910
Sales	(3,995)	(42,829)
Balance, end of year	$ 44,226	$ 47,720

Qualitative information about significant unobservable inputs used in Level 3 fair value measurements:

The following table represents the Association's Level 3 financial instrument, the valuation technique used to measure the fair value of the financial instrument, and the significant unobservable inputs and the range of values for those inputs:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values	Weighted Average
Interest Accumulation Account	$ 44,226	Discounted cash flow	Current yields of similar instruments	1.5% - 2.0%	1.65%

Benefit payments, which reflect expected future services, as appropriate, are expected to be paid as follows:

	Pension Benefits
2014	$ 38,000
2015	3,000
2016	8,000
2017	-
2018	-
2019 - 2022	14,000
	$ 63,000

Taxed deferred annuity plan

The Association maintains a Section 403(b) tax-deferred annuity plan. All employees are eligible to participate in the plan by making contributions through voluntary salary reductions. The plan permits only employee salary reduction contributions and, as such, the Association made no contributions to the plan during 2013 or 2012.

Note 11 - Related party transactions

The Association purchased heating and cooling related services from companies of which members of the Association's Board of Directors have ownership in. For the years ended December 31, 2013 and 2012, the Association paid $2,029 and $28,586, respectively, to these related parties. As of June 30, 2013 the Association no longer had any related party transactions.