THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)

FINANCIAL STATEMENTS

December 31, 2014 and 2013

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)

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FRASIERDEAN HOWARDCPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Association for Guidance, Aid, Placement
and Empathy (AGAPE)
Nashville, Tennessee

We have audited the accompanying financial statements of The Association for Guidance, Aid, Placement and Empathy (AGAPE) (a nonprofit organization), which comprise the statements of financial position as of December 31, 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.

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. 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 Association for Guidance, Aid, Placement and Empathy (AGAPE) as of December 31, 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.

Frasier, Dean & Howard, PLLC

May 7, 2015

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 139,722	$ 116,274
Investments	1,048,651	1,515,520
Accounts and pledges receivable	43,569	34,132
Prepaid expenses	17,277	19,816
Total current assets	1,249,219	1,685,742
Property and equipment, net	552,775	564,270
Investments, net of amounts shown as current	1,630,620	1,630,947
Total assets	$ 3,432,614	$ 3,880,959
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 19,724	$ 37,163
Accrued expenses	79,271	61,180
Current portion of annuities payable	4,545	6,883
Total current liabilities	103,540	105,226
Annuities payable, excluding current portion	37,948	41,184
Total liabilities	141,488	146,410
Net assets:		
Unrestricted	1,678,024	2,139,279
Temporarily restricted	642,010	624,178
Permanently restricted	971,092	971,092
Total net assets	3,291,126	3,734,549
Total liabilities and net assets	$ 3,432,614	$ 3,880,959

See accompanying notes.

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2014 and 2013

	2014	2013
Changes in unrestricted net assets:		
Public support:		
Individual support	$ 491,983	$ 499,750
Corporate support	266,285	197,548
Congregational support	174,113	200,347
Memorial gifts	31,727	53,325
Estate gifts	1,911	75,000
In-kind donations	22,576	5,713
Total public support	988,595	1,031,683
Service revenue:		
Counseling fees	815,651	821,457
Adoption fees	36,935	57,927
Professional service fees	7,500	19,997
Foster care support	2,741	6,521
Total service revenue	862,827	905,902
Other revenue and gains:		
Investment gain	72,827	276,859
Assets released from restrictions	70,000	-
Miscellaneous income	10,630	3,537
Total other revenue and gains	153,457	280,396
Total public support, service and other revenue and gains	2,004,879	2,217,981
Expenses:		
Program services	1,693,854	1,658,913
Supporting services	772,280	686,712
Total expenses	2,466,134	2,345,625
Decrease in unrestricted net assets	(461,255)	(127,644)
Changes in temporarily restricted net assets:		
Contribution	10,143	-
Investment gain	77,689	252,932
Assets released from restrictions	(70,000)	-
Increase in temporarily restricted net assets	17,832	252,932
Change in net assets	(443,423)	125,288
Net assets at beginning of year	3,734,549	3,609,261
Net assets at end of year	$ 3,291,126	$ 3,734,549

See accompanying notes.

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ (443,423)	$ 125,288
Adjustments to reconcile change in net assets to cash flows used in operating activities:		
Depreciation	44,255	42,681
Donated equipment	(22,576)	(5,713)
Net gain on investments	(135,672)	(511,709)
Loss on disposal of equipment	375	2,733
Changes in operating assets and liabilities:		
Accounts and pledges receivable	(9,437)	143,700
Prepaid expenses	2,539	(2,483)
Accounts payable	(17,439)	(24,569)
Accrued expenses	18,091	(2,398)
Annuities payable	(5,574)	(5,526)
Net cash used in operating activities	(568,861)	(237,996)
Cash flows from investing activities:		
Purchases of property and equipment	(10,559)	(7,412)
Proceeds from disposal of equipment	-	7,568
Proceeds from sale of investments	1,762,230	1,698,417
Purchases of investments	(1,159,362)	(1,491,380)
Net cash provided by investing activities	592,309	207,193
Net increase (decrease) in cash and cash equivalents	23,448	(30,803)
Cash and cash equivalents at beginning of year	116,274	147,077
Cash and cash equivalents at end of year	$ 139,722	$ 116,274
Supplemental disclosure of noncash investing activities:		
Fair value of assets acquired	$ 22,576	$ 9,461
Cash paid	-	(3,748)
Donated equipment	$ 22,576	$ 5,713

See accompanying notes.

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

	Counseling	Foster Care and Parental Education	Maternity Care and Adoption	Total Program Services	Management and General	Fundraising	Total Supporting Services	Grand Total
Salaries and related expenses	$ 630,014	$ 269,319	$ 115,545	$1,014,878	$ 268,653	$ 250,404	$ 519,057	$1,533,935
Psychiatric and clinical expenses	307,049	-	-	307,049	-	-	-	307,049
Support payments - foster care	-	119,919	-	119,919	-	-	-	119,919
Legal and professional	8,799	42,769	1,635	53,203	3,001	39,747	42,748	95,951
Insurance	28,113	9,551	4,680	42,344	9,587	10,943	20,530	62,874
Miscellaneous	16,797	14,830	2,903	34,530	5,544	7,140	12,684	47,214
Supplies and maintenance	19,465	8,627	3,494	31,586	6,219	7,433	13,652	45,238
Depreciation	19,788	6,723	3,294	29,805	6,748	7,702	14,450	44,255
Golf tournament expenses	-	-	-	-	-	35,599	35,599	35,599
Barn sale expenses	-	-	-	-	-	26,107	26,107	26,107
Utilities	11,454	3,891	1,907	17,252	3,906	4,458	8,364	25,616
Advertising and promotion	2,704	350	5,613	8,667	-	15,237	15,237	23,904
Direct mail costs	-	-	-	-	318	22,908	23,226	23,226
Annual dinner expenses	-	-	-	-	-	22,463	22,463	22,463
Travel	4,134	6,925	3,827	14,886	4,346	919	5,265	20,151
Telephone	5,963	2,203	1,245	9,411	1,649	2,715	4,364	13,775
Postage	3,644	1,263	607	5,514	1,243	2,130	3,373	8,887
Dues and subscriptions	597	1,328	100	2,025	3,162	648	3,810	5,835
Annuity expense	1,849	628	308	2,785	631	720	1,351	4,136
	$1,060,370	$ 488,326	$ 145,158	$1,693,854	$ 315,007	$ 457,273	$ 772,280	$2,466,134

See accompanying notes.

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

	Counseling	Foster Care and Parental Education	Maternity Care and Adoption	Total Program Services	Management and General	Fundraising	Total Supporting Services	Grand Total
Salaries and related expenses	$ 610,656	$ 246,386	$ 112,544	$ 969,586	$ 271,192	$ 171,133	$ 442,325	$1,411,911
Psychiatric and clinical expenses	309,539	-	-	309,539	-	-	-	309,539
Support payments - foster care	-	112,505	-	112,505	-	-	-	112,505
Legal and professional	11,105	24,936	7,069	43,110	3,997	50,138	54,135	97,245
Insurance	32,154	10,082	5,430	47,666	11,879	8,823	20,702	68,368
Supplies and maintenance	27,024	7,940	4,542	39,506	8,397	8,616	17,013	56,519
Depreciation	20,073	6,294	3,390	29,757	7,416	5,508	12,924	42,681
Miscellaneous	14,529	9,536	2,623	26,688	5,130	4,183	9,313	36,001
Advertising and promotion	6,930	2,595	16,193	25,718	-	6,199	6,199	31,917
Golf tournament expenses	-	-	-	-	-	28,022	28,022	28,022
Travel	7,139	6,747	3,369	17,255	8,762	1,697	10,459	27,714
Annual dinner expenses	-	-	-	-	-	25,986	25,986	25,986
Direct mail costs	65	20	11	96	24	24,754	24,778	24,874
Utilities	9,255	2,902	1,563	13,720	3,419	2,540	5,959	19,679
Barn sale expenses	-	-	-	-	-	18,258	18,258	18,258
Telephone	7,901	2,739	1,414	12,054	2,519	2,151	4,670	16,724
Postage	4,266	1,411	720	6,397	1,576	1,204	2,780	9,177
Annuity expense	2,161	677	365	3,203	798	593	1,391	4,594
Dues and subscriptions	976	967	-	1,943	1,318	480	1,798	3,741
Adoption home study	-	-	170	170	-	-	-	170
	$1,063,773	$ 435,737	$ 159,403	$1,658,913	$ 326,427	$ 360,285	$ 686,712	$2,345,625

See accompanying notes.

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 – NATURE OF OPERATIONS

The Association for Guidance, Aid, Placement and Empathy (AGAPE) (the "Association") is a licensed, independent, nonprofit, family service agency providing (1) an educational program for teaching good family life and mental health; (2) counseling services for troubled marriages, family systems and individuals; and (3) children's services through foster care, placing children for adoption and group experiences for children. The Association is supported primarily by contributions from individuals, corporations and congregations of the Churches of Christ.

The financial statements reflect only the activities for which the Association is directly involved in the receipt and expending of funds and do not include indirect assistance to the Association's clients through other programs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Association are presented on the accrual basis. The significant accounting policies followed are described below:

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the 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 may or will be met either by actions of the Association and/or the passage of time.

Permanently restricted net assets **–** Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Association reports the support as unrestricted.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. During the years ended December 31, 2014 and 2013, the Association maintained deposits in financial institutions which, at times, exceeded federally insured limits. The Association has not experienced any losses in such accounts. At December 31, 2014 and 2013, the Association had no balances in excess of federally insured limits.

Investments

According to the Not-for-Profit Entities topic of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"), investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are recognized in the statements of activities. Fair values are based on quoted market prices on the last business day of the year.

Gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets and ordinary income from investments are accounted for in the unrestricted and temporarily restricted funds unless permanently restricted by the donor.

Fair Value Measurements

The Association has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Accounting principles generally accepted in the United States of America have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

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

Receivables and Credit Policy

Accounts receivable for counseling services are uncollateralized client obligations due at the time the service is provided. Certain clients have been granted extended payment terms. Late fees or interest charges are not assessed on delinquent accounts. The carrying amount of accounts receivable is reduced by a valuation allowance, if necessary, which reflects management's best estimate of the amounts that will not be collected.

Pledges receivable are recorded when an unconditional promise to give is received. No discounts have been recorded on the pledges receivable that are due within one year.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at their estimated fair value at the date of the gift. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Estimated useful lives for the various classes of assets are as follows:

Buildings and improvements	4 - 40 years
Furniture and equipment	3 - 7 years
Transportation equipment	5 years

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in the statements of activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Charitable Gift Annuities

The Association has entered into irrevocable agreements with donors whereby, in exchange for the gift from the donor, the Association is obligated to provide an annuity to the donor or other designated beneficiaries for a specific number of years. A liability is recognized for the estimated present value of the annuity obligation and the assets are recorded at their gross market value for agreements where the Association is trustee. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables. The portion of the funds attributable to the present value of the future benefits to be received by the Association was recorded in the statements of activities as unrestricted contributions in the periods the funds were received. On an annual basis, the Association revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions.

Income Taxes

The Association is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and, accordingly, no provision for income taxes is included in the financial statements.

The Association follows FASB ASC guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Association has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended December 31, 2011 through December 31, 2014. The Association had no uncertain tax positions at December 31, 2014 and 2013.

Revenue Recognition

Cash contributions are recognized as revenue when received.

Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an interest rate applicable to the year in which the promise is received.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. Service revenue is recognized at the time the services are provided.

In-kind contributions are recorded at fair value at the date of donation.

Valuation of Long-Lived Assets

The carrying values of long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

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

Restricted Endowment Funds

The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) was enacted in Tennessee effective July 1, 2007. The Not-for-Profit Entities topic of the FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board’s interpretation of the law that underlies the organization’s net asset classification of donor-restricted endowment funds, a description of the organization’s policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization’s endowment investment policies, and additional disclosures not previously required.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Association evaluated subsequent events through May 7, 2015, when these financial statements were available to be issued. The Association is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 3 – CREDIT RISK AND OTHER CONCENTRATIONS

The Association utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is 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 statements of financial position.

NOTE 4 – INVESTMENTS

Investments are stated at fair value with fair value determined based on active markets (Level 1) and consist of the following at December 31:

	2014	2013
Marketable equity securities	$ 1,798,021	$ 2,101,768
Government securities	298,983	447,206
Corporate bonds	215,402	288,882
Mutual funds	281,544	203,745
Cash and short-term investments	85,321	104,866
	2,679,271	3,146,467
Less amounts shown as current	(1,048,651)	(1,515,520)
	$ 1,630,620	$ 1,630,947

NOTE 4 – INVESTMENTS (Continued)

The following schedule summarizes the net investment income in the statements of activities for the years ended December 31:

	2014	2013
Dividend income	$ 42,279	$ 38,451
Interest income	14,478	21,135
Net gain on investments	135,672	511,709
Investment expenses	(41,913)	(41,504)
	$ 150,516	$ 529,791

Net gain on investment is presented in the accompanying statements of activities as follows:

	2014	2013
Unrestricted gain on investment	$ 72,827	$ 276,859
Temporarily restricted gain on investment	77,689	252,932
	$ 150,516	$ 529,791

NOTE 5 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31 is as follows:

	2014	2013
Land	$ 139,790	$ 139,790
Buildings and improvements	851,282	833,782
Furniture and equipment	181,200	206,488
Transportation equipment	17,840	17,840
	1,190,112	1,197,900
Accumulated depreciation	(637,337)	(633,630)
	$ 552,775	$ 564,270

NOTE 6 – ANNUITIES PAYABLE

The Association has entered into irrevocable agreements with donors whereby in exchange for the gift from the donor, the Association is obligated to provide an annuity to the donor or other designated beneficiaries for a specific number of years. There were no such gifts received during 2014 and 2013. The present value of the estimated future payments ($42,493 and $48,067 at December 31, 2014 and 2013, respectively) has been recorded as a liability in the accompanying statements of financial position. The Association maintains investments with a fair market value at December 31, 2014 and 2013 of $32,206 and $42,560, respectively, with which to satisfy this obligation. According to the terms of the agreements, the Association is required to make quarterly payments totaling $2,533.

NOTE 7 – NET ASSETS

The board of directors has designated that certain types of support received not be used for current operating purposes. Such designation may be terminated at the discretion of the board and does not represent donor restrictions. During 2014, the board approved for all previously designated estate gifts to become undesignated. A summary of unrestricted net assets at December 31 is as follows:

	2014	2013
Board-designated:		
Estate gifts	$ -	$ 1,207,709
Heffington	201,968	192,589
Kresge Foundation	101,773	97,047
	303,741	1,497,345
Undesignated	1,374,283	641,934
	$ 1,678,024	$ 2,139,279

Temporarily restricted net assets of $642,010 and $624,178 at December 31, 2014 and 2013, respectively, consist of investment income from permanently restricted net assets to be used for the care of special needs children and contributions received to support the Association’s Counseling Affordability Initiative ($10,143 at December 31, 2014).

Permanently restricted net assets of $971,092 at December 31, 2014 and 2013, consist of investments in perpetuity, the income from which is expendable to support the care of special needs children.

NOTE 8 – ENDOWMENT AND PERMANENTLY RESTRICTED NET ASSETS

The Association’s endowment consists of donor restricted gifts held in investment accounts. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

NOTE 8 – ENDOWMENT AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Interpretation of Relevant Law

The board of directors of the Association has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") 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 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 Association in a manner consistent with the standard of prudence prescribed by SPMIFA.

Changes in Endowment Net Assets for the Year Ended December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 624,178	$ 971,092	$ 1,595,270
Investment return:				
Investment income	-	8,729	-	8,729
Net appreciation (realized and unrealized)	-	68,960	-	68,960
Total investment return	-	77,689	-	77,689
Withdrawals	-	(70,000)	-	(70,000)
Endowment net assets, end of year	$ -	$ 631,867	$ 971,092	$ 1,602,959

NOTE 8 – ENDOWMENT AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 371,246	$ 971,092	$ 1,342,338
Investment return:				
Investment income	-	9,317	-	9,317
Net depreciation (realized and unrealized)	-	243,615	-	243,615
Total investment return	-	252,932	-	252,932
Contributions	-	-	-	-
Endowment net assets, end of year	$ -	$ 624,178	$ 971,092	$ 1,595,270

Funds with Deficiencies

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 SPMIFA required the Association to retain as a fund of perpetual duration. However, there were no such deficiencies as of December 31, 2014 and 2013.

Endowment Investment Policy and Risk Parameters

The Association 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. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed inflation by 4 percent while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

NOTE 8 – ENDOWMENT AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Strategies Employed for Achieving Investment Objectives

To satisfy its long-term rate-of-return objectives, the Association 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 Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association has a policy of appropriating for distribution each year 5 percent or less of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Association considered the long-term expected return on its endowment. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 9 – RETIREMENT PLAN

The Association sponsors a defined contribution retirement plan for its employees, which was established under the provisions of Internal Revenue Code Section 403(b). In order to participate in the plan, an employee must be 21 years old and have six months of service. Employee contributions of up to 5 percent of wages are matched by the Association. The Association's matching contributions of $56,510 in 2014 and $45,736 in 2013 are included in salary and related expenses in the accompanying statements of functional expenses.

NOTE 10 – ADVERTISING EXPENSES

The Association's advertising efforts involved television, radio, magazine and yellow page advertisements to the general public. Costs associated with the advertising totaled $23,904 and $31,917 for 2014 and 2013, respectively, and are included as advertising and promotion expenses in the accompanying statements of functional expenses.

NOTE 11 – LEASE COMMITMENTS

The Association leases certain equipment under noncancelable operating leases. Future minimum lease payments under the noncancelable leases as of December 31, 2014 are as follows:

NOTE 11 – LEASE COMMITMENTS (Continued)

Year Ending December 31,	
2015	$ 16,144
2016	16,144
2017	10,093
2018	1,227
	$ 43,608

Total rental expense for the years ended December 31, 2014 and 2013 was $14,212 and $14,852, respectively.