

MARY'S SHELTER

FINANCIAL STATEMENTS

Year ended September 30, 2013

(With Independent Auditors' Report Thereon)

MARY'S SHELTER
FINANCIAL STATEMENTS
Year ended September 30, 2013

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Board of Directors
Mary's Shelter
Santa Ana, California

Independent Auditors' Report

We have audited the accompanying financial statements of Mary's Shelter as of September 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended and 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 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 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 Mary's Shelter as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Mary's Shelter 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 18, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2014 on our consideration of Mary's Shelter'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. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Mary's Shelter's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

Irvine, California
March 21, 2014

MARY'S SHELTER
STATEMENT OF FINANCIAL POSITION

September 30, 2013
(with prior year data for comparison purposes only)

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash (note 2)	\$ 388,941	172,407
Restricted cash (note 2)	3,146	2,717
Investments (note 3)	316,251	283,550
Contracts receivable	134,610	213,805
Contributions receivable	-	5,000
Prepaid expense	18,570	1,482
TOTAL CURRENT ASSETS	<u>861,518</u>	<u>678,961</u>
NONCURRENT ASSETS		
Fixed assets, net (note 4)	652,670	671,411
Restricted investments - Endowment (note 3)	178,712	165,345
TOTAL NONCURRENT ASSETS	<u>831,382</u>	<u>836,756</u>
TOTAL ASSETS	<u>\$ 1,692,900</u>	<u>1,515,717</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 13,157	13,293
Accrued compensation and paid time off	69,263	78,193
Deferred revenue	-	80
TOTAL CURRENT LIABILITIES	<u>82,420</u>	<u>91,566</u>
TOTAL LIABILITIES	<u>82,420</u>	<u>91,566</u>
NET ASSETS (note 6)		
Unrestricted	1,570,827	1,369,927
Temporarily restricted	3,146	17,717
Permanently restricted (note 12)	36,507	36,507
TOTAL NET ASSETS	<u>1,610,480</u>	<u>1,424,151</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,692,900</u>	<u>1,515,717</u>

See accompanying notes to financial statements.

MARY'S SHELTER
STATEMENT OF ACTIVITIES

Year Ended September 30, 2013
(with prior year data for comparison purposes only)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013</u>	<u>2012</u>
SUPPORT, REVENUES AND GAINS:					
Government funding (note 9)	\$ 1,434,896	-	-	1,434,896	1,279,040
Contributions - private funding (note 8)	402,276	-	-	402,276	484,031
Special events, net (note 7)	133,235	-	-	133,235	144,429
Donated services and equipment (note 5)	19,963	-	-	19,963	18,475
Investment income (note 3)	39,294	-	-	39,294	51,839
Other	2,990	979	-	3,969	2,780
	<u>2,032,654</u>	<u>979</u>	<u>-</u>	<u>2,033,633</u>	<u>1,980,594</u>
Subtotal support, revenues and gains (losses)					
Net assets released from restrictions	<u>15,550</u>	<u>(15,550)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT, REVENUES AND GAINS	<u>2,048,204</u>	<u>(14,571)</u>	<u>-</u>	<u>2,033,633</u>	<u>1,980,594</u>
EXPENSES:					
Program services	<u>1,619,690</u>	<u>-</u>	<u>-</u>	<u>1,619,690</u>	<u>1,732,189</u>
TOTAL PROGRAM SERVICES	<u>1,619,690</u>	<u>-</u>	<u>-</u>	<u>1,619,690</u>	<u>1,732,189</u>
SUPPORTING SERVICES					
Management and general	95,671	-	-	95,671	98,710
Fundraising	<u>131,943</u>	<u>-</u>	<u>-</u>	<u>131,943</u>	<u>138,206</u>
TOTAL SUPPORTING SERVICES	<u>227,614</u>	<u>-</u>	<u>-</u>	<u>227,614</u>	<u>236,916</u>
TOTAL EXPENSES	<u>1,847,304</u>	<u>-</u>	<u>-</u>	<u>1,847,304</u>	<u>1,969,105</u>
INCREASE (DECREASE) IN NET ASSETS	200,900	(14,571)	-	186,329	11,489
NET ASSETS AT BEGINNING OF YEAR	<u>1,369,927</u>	<u>17,717</u>	<u>36,507</u>	<u>1,424,151</u>	<u>1,412,662</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,570,827</u>	<u>3,146</u>	<u>36,507</u>	<u>1,610,480</u>	<u>1,424,151</u>

See accompanying notes to financial statements.

MARY'S SHELTER
STATEMENT OF FUNCTIONAL EXPENSES
Year ended September 30, 2013
(with prior year data for comparison purposes only)

	<u>Program</u> <u>Services</u>	<u>Support Services</u>			<u>Totals</u>	
		<u>Management</u> <u>and General</u>	<u>Fund</u> <u>Raising</u>	<u>Total</u>	<u>2013</u>	<u>2012</u>
Salaries and benefits	\$ 1,207,701	64,082	94,437	158,519	1,366,220	1,442,513
Audit	8,190	1,170	2,340	3,510	11,700	14,280
Depreciation	31,878	1,270	-	1,270	33,148	32,238
Donated program goods expenses	15,181	-	-	-	15,181	11,490
Groceries and clothing	81,375	-	-	-	81,375	85,242
Medical insurance	36,175	3,593	3,183	6,776	42,951	75,849
Office expenses	6,506	2,223	9,575	11,798	18,304	19,479
Other expenses	4,709	6,137	563	6,700	11,409	27,496
Printing and postage	2,707	1,201	13,073	14,274	16,981	22,208
Property and maintenance	40,113	3,544	-	3,544	43,657	27,686
Resident activities and supplies	24,351	-	-	-	24,351	22,207
Staff recruitment and training	14,728	-	-	-	14,728	14,506
Telephone	-	5,371	1,043	6,414	6,414	6,913
Transportation	22,003	-	-	-	22,003	22,227
Utilities	25,354	1,853	-	1,853	27,207	25,588
Workers compensation insurance	<u>98,719</u>	<u>5,227</u>	<u>7,729</u>	<u>12,956</u>	<u>111,675</u>	<u>119,183</u>
Total expenses	<u>\$ 1,619,690</u>	<u>95,671</u>	<u>131,943</u>	<u>227,614</u>	<u>1,847,304</u>	<u>1,969,105</u>
Percentage of total expenses	88%	5%	7%		100%	

See accompanying notes to financial statements.

MARY'S SHELTER
STATEMENT OF CASH FLOWS

Year ended September 30, 2013
(with prior year data for comparison purposes only)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 186,329	11,489
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	33,148	32,238
Net realized loss(gain) on investments	(12,369)	2,251
Net unrealized loss(gain) on investments	(13,456)	(45,027)
(Increase) decrease in contracts receivable	79,195	(83,579)
(Increase) decrease in contributions receivable	5,000	(5,000)
(Increase) decrease in prepaid expenses	(17,088)	(1,482)
Increase (decrease) in accounts payable	(136)	6,413
Increase (decrease) in accrued compensation and paid time off	(8,930)	(1,579)
Increase (decrease) in deferred revenue	<u>(80)</u>	<u>80</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>251,613</u>	<u>(84,196)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	170,413	160,204
Purchase of investments	(190,656)	(198,122)
Cash paid for property and equipment	<u>(14,407)</u>	<u>(2,020)</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>(34,650)</u>	<u>(39,938)</u>
NET INCREASE (DECREASE) IN CASH	216,963	(124,134)
CASH AT BEGINNING OF YEAR	<u>175,124</u>	<u>299,258</u>
CASH AT END OF YEAR, (note 2)	<u>\$ 392,087</u>	<u>175,124</u>
SUPPLEMENTAL DISCLOSURES		
Donated Equipment	<u>\$ -</u>	<u>\$ 1,900</u>
Donated Stock	<u>\$ 9,157</u>	<u>\$ 5,591</u>

See accompanying notes to financial statements.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

Year ended September 30, 2013

(1) **Summary of Significant Accounting Policies**

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues, and expenses, as well as contingent assets and liabilities. Actual results could differ from those estimates. Management also determines the accounting principles to be used in the preparation of financial statements. A description of significant accounting policies employed in the preparation of these financial statements are as follows:

Organization and Nature of Services – Mary's Shelter provides comprehensive residential care in a loving and supportive environment for pregnant and parenting minors who are homeless or in another crisis situation. The programs of the organization are designed to ensure the health of the young mothers and their babies, and to develop the responsibility and maturity of each resident.

Basis of Accounting – The financial statements of Mary's Shelter have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation – Mary's Shelter follows the financial statement presentation recommended by the Financial Accounting Standards Boards (FASB) in its Auditing Standards Codification (ASC) ASC 958-205, *Presentation of Financial Statements*. Under ASC 958-205, Mary's Shelter is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of September 30, 2013, Mary's Shelter has \$3,146 of temporarily restricted net assets and \$36,507 of permanently restricted net assets.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, Mary's Shelter considers all unrestricted, highly liquid investments with a maturity of three months or less to be cash equivalents. Cash equivalents consist of various demand deposits.

Restricted Cash – Mary's Shelter receives some government funding from each resident's county to be used specifically for clothing for residents of the Shelter. As of September 30, 2013, the restricted cash amount was \$3,146. A separate account is maintained to track these funds.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(1) **Summary of Significant Accounting Policies, (Continued)**

Investments – Investments represent funds invested primarily in money market and mutual funds. In accordance with ASC 958-320, *Investments – Debt and Equity Securities*, the Shelter has reflected all investments in the accompanying financial statements at market value. Net appreciation (depreciation) in the fair value of investments, which consists of realized and unrealized gains or losses on these investments, is shown in the Statement of Activities as a component of investment income.

Fair Value Measurements - ASC 820-10, Fair Value Measurements establishes a framework for measuring fair value using generally accepted accounting principles, and expands disclosures related to fair value measurements. The Statement applies to other accounting pronouncements that require or permit fair value measurements. ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are described below:

- Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities
- Level 2 – Directly or indirectly observable input for quoted and other than quoted prices for identical or similar assets and liabilities in active or non-active markets
- Level 3 – Unobservable inputs not corroborated by market data, therefore requiring the entity to use the best information available in the circumstances, including the entity's own data

Donated Property and Equipment – Donated property and equipment are recorded as support at their estimated fair values at the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, Mary's Shelter reports expirations of donor restrictions when the donated equipment or acquired assets are placed in service as instructed by the donor. Mary's Shelter reclassifies temporarily restricted net assets to unrestricted net assets at that time.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(1) **Summary of Significant Accounting Policies, (Continued)**

Donated Property and Equipment (continued) – As of September 30, 2013, Mary's Shelter has no donor restricted property and equipment.

Income Taxes – Mary's Shelter is a tax-exempt organization ("other than a private foundation") under Section 501(c)(3) of the Internal Revenue Code and is exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code.

Donated Services – Donated services are reflected in the accompanying statements at their estimated market values at date of receipt. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. See note 5 for further details.

Restricted and Unrestricted Revenue and Support – The organization follows ASC 958-605, *Revenue Recognition*. In accordance with ASC 958-605, 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 the purpose for the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Prior Year Data – Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Mary's Shelter's prior year financial statements, from which this selected financial data was derived.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(1) **Summary of Significant Accounting Policies, (Continued)**

Revenue Recognition and Concentration of Revenues – Mary's Shelter received approximately 71% of its total support and revenue from government funding for the year ended September 30, 2013. Revenue from government grants are recognized as exchange transactions and are recorded when earned. Amounts received in advance are reflected as deferred revenue.

Expense Allocation – The costs of providing the program and other activities have been summarized on a functional basis in the "Statement of Activities" and in the "Statement of Functional Expenses". Accordingly, certain costs have been allocated among the program and supporting services benefited. Where expenses apply to more than one function, the allocation is based on either square footage (such as for utilities) or estimated percentage of use for each purpose (telephone and postage.)

Accrued Paid Time Off (PTO) – Accrued employee paid time off (PTO) payable represents vacation, sick and personal time earned by Mary's Shelter employees which has not yet been taken. Employees may accrue and accumulate PTO up to a maximum of fifteen (15) days. As of September 30, 2013, the amount of accrued PTO benefits was \$23,046 and is being reported in the Statement of Financial Position as accrued compensation and paid time off.

Endowment Funds – In August 2008 the FASB issued FASB Staff Position (FSP) No. 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), and Enhanced Disclosures for All Endowment Funds. FSP No. 117-1 improves disclosures about an organization's endowment funds (whether the organization is subject to the Uniform Management of Institutional Funds Act ("UMIFA"), or its replacement legislation, UPMIFA. The State of California enacted UPMIFA effective January 1, 2009.

To build the Endowment Fund and encourage supporters to include Mary's Shelter in their estate plans, a 'Guardian Angel' designation was created. As of the end of the 2013 fiscal year, twelve Guardian Angels were identified. Current gifts have been received from two of them, while the other ten named Mary's Shelter in their wills, trusts, or as beneficiaries of insurance policies. Mary's Shelter has not recorded these wills, trusts, and life insurance policies in the financial statements because the legal documents are not irrevocable. Guardian Angel gifts do not include those directed to the Endowment Fund by the Board of Directors.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(2) Cash

Cash is presented in the accompanying statement of net assets at September 30, 2013 as follows:

Cash	\$ 388,941
Restricted cash	<u>3,146</u>
Total cash	<u>\$ 392,087</u>

At September 30, 2013, cash is comprised of bank accounts and a certificate of deposit. There were no amounts in excess of federally insured limits.

(3) Investments

Investments consist of the following as of September 30, 2013:

<u>Investments:</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Mutual funds	\$ 254,594	277,620	23,026
Common stock	<u>40,085</u>	<u>38,631</u>	<u>(1,454)</u>
	<u>294,679</u>	<u>316,251</u>	<u>21,572</u>
 <u>Restricted Investments:</u>			
Board Designated Endowment- Common fund (OCCF)	130,833	142,205	12,072
Donor Restricted Endowment- Common fund (OCCF)	<u>32,708</u>	<u>36,507</u>	<u>3,099</u>
	<u>163,541</u>	<u>178,712</u>	<u>15,171</u>
 Total investments	 <u>\$ 458,220</u>	 <u>494,963</u>	 <u>36,743</u>

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(3) Investments, (Continued)

Investment income is comprised of the following at September 30, 2013:

Interest and dividend income	\$ 13,469
Realized gains (losses)	12,369
Unrealized gains (losses)	<u>13,456</u>
Total	<u>\$39,294</u>

Fair values of assets measured on a recurring basis at September 30, 2013:

	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 277,620	277,620	-	-
Common stock	38,631	38,631	-	-
Common fund	<u>178,712</u>	<u>-</u>	<u>178,712</u>	<u>-</u>
Total	<u>\$ 494,963</u>	<u>316,251</u>	<u>178,712</u>	<u>-</u>

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Mutual funds and common stocks are valued at the closing price reported on the active market on which the individual securities are traded. The common fund is reported at Net Asset Value (NAV), therefore classifying the investment as level 2. The fund value equals the accumulated cash contributions, distributions, gains or losses and interest credited to the fund.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(4) Fixed Assets

Fixed assets are recorded at cost. Depreciation of fixed assets is recorded using the straight-line method over a useful life of 5 to 40 years applied to individual items. It is the policy of Mary's Shelter to capitalize all assets over \$1,000. Depreciation expense for the year ended September 30, 2013 amounted to \$33,148. Fixed assets consist of the following at September 30, 2013:

Land	\$ 260,310
Buildings	680,568
Furniture	44,507
Vehicles	109,945
Equipment	<u>26,315</u>
Total	1,121,645
Less accumulated depreciation	<u>(468,975)</u>
Fixed assets, net of accumulated depreciation	<u>\$ 652,670</u>

(5) Donated Services and Goods

Mary's Shelter received \$19,963 of donated services, equipment and goods for the year ended September 30, 2013 as follows:

Professional Services:	
Accounting	\$ 2,240
HR legal	2,064
Other items/services donated	<u>478</u>
Total donated services	<u>4,782</u>
Equipment and Goods:	
Program goods and materials	<u>15,181</u>
Total donated equipment and goods	<u>15,181</u>
Total donated services and goods	<u>\$ 19,963</u>

MARY'S SHELTER
NOTES TO FINANCIAL STATEMENTS

(Continued)

(6) Net Assets

Net assets consisted of the following as of September 30, 2013:

Unrestricted net assets:	
Net investment in land, buildings and equipment	\$ 652,670
Available for programs	775,952
Unrestricted, board designated net assets:	
Endowment	<u>142,205</u>
Total unrestricted net assets	<u>1,570,827</u>
Temporarily restricted net assets:	
Clothing allowance for residents	<u>3,146</u>
Total temporarily restricted net assets	<u>3,146</u>
Permanently restricted net assets:	
Guardian Angels Endowment	<u>36,507</u>
Total permanently restricted net assets	<u>36,507</u>
Total net assets	<u>\$1,610,480</u>

(7) Special Events

Mary's Shelter held two significant special event in the current year, a gala. The results of all special events held are as follows:

	<u>Gala</u>	Father Leo's 80th <u>Birthday</u>	<u>Total</u>	<u>2012</u>
Contribution revenue	\$158,862	8,905	167,767	176,348
Less direct expenses	<u>(31,230)</u>	<u>(3,302)</u>	<u>(34,532)</u>	<u>(31,919)</u>
Net support from special events	<u>\$127,632</u>	<u>5,603</u>	<u>133,235</u>	<u>144,429</u>

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(8) Contributions - Private Funding

Mary's Shelter received the following contributions from private funding and grants for the year ended September 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2012</u>
Corporate donations	\$ 11,577	-	-	11,577	8,598
Foundation grants	113,175	-	-	113,175	219,200
Individual donations	224,465	-	-	224,465	200,025
Institutional donations	<u>53,059</u>	<u>-</u>	<u>-</u>	<u>53,059</u>	<u>56,208</u>
	<u>\$ 402,276</u>	<u>-</u>	<u>-</u>	<u>402,276</u>	<u>484,031</u>

(9) Government Funding

Mary's Shelter received the following government funding for the year ending September 30, 2013:

Aid to Families with Dependent Children (AFDC)	\$1,433,917
County Clothing Allowance	<u>979</u>
Total governmental funding	<u>\$1,434,896</u>

(10) Retirement Plan

Mary's Shelter has adopted a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code whereby employees may elect to defer a portion of their compensation to be invested in annuity contracts on their behalf. The amount of contributions made by Mary's Shelter, if any, is at the sole discretion of Mary's Shelter. For the fiscal year ended September 30, 2013, Mary's Shelter has not made any contributions.

(11) Contingencies

Financial assistance from state and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against Mary's Shelter for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(12) **Endowment Funds**

Mary's Shelter has interpreted the California 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 and the maintenance of the original purchasing power of donor-directed gifts and board-directed contributions over time, while safeguarding funds during market fluctuations and providing stability and liquidity for annual distributions. As a result of this interpretation, donor-directed gifts are classified as permanently restricted net assets; however restrictions on the use of permanently endowed funds are not accepted. Board-directed contributions are classified as unrestricted net assets as there is a provision for invasion of the principal of these funds by the Mary's Shelter Board of Directors under specified conditions, when also approved by the Orange County Community Foundation Board of Governors. According to Shelter policy, distributions of earnings may only be taken from the Endowment Fund after it reaches \$1 million, and distributions may only be used for operating expenses. Any distributable amount from earnings, as determined by the OCCF, will be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Shelter in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Shelter considers the following factors in determining whether to appropriate or accumulate available endowment funds:

- (1) Fund duration, balance and preservation of the fund
- (2) The needs of the Shelter to accomplish its core mission
- (3) General economic conditions
- (4) The possible impact of inflation and deflation on the fund
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Shelter
- (7) The investment policies of the Shelter

Endowment Composition and Changes in Endowment Net Assets

Endowment net asset composition by type of fund as of September 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated	\$ 142,205	-	-	142,205
Donor restricted	<u>-</u>	<u>-</u>	<u>36,507</u>	<u>36,507</u>
Total	<u>\$ 142,205</u>	<u>-</u>	<u>36,507</u>	<u>178,712</u>

MARY'S SHELTER
NOTES TO FINANCIAL STATEMENTS

(Continued)

(12) Endowment Funds, (Continued)

Changes in endowment net assets for the fiscal year ended September 30, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 128,838	-	36,507	165,345
Investment return:				
Investment income (loss)	13,367	-	-	13,367
Contribution to endowment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 142,205</u>	<u>-</u>	<u>36,507</u>	<u>178,712</u>

Return Objectives and Risk Parameters

The Mary's Shelter Board of Directors holds the Mary's Shelter Endowment Fund in the Orange County Community Foundation, to be managed pursuant to the investment policy adopted by the Board. The goal is to create conservative long-term growth of the Endowment Fund corpus to maintain purchasing power over time, while safeguarding funds during market fluctuations and providing stable income and liquidity for annual distributions. The policy further directs conservative risk tolerance to preserve and grow the Endowment Fund over time and social screens/mission based investing where possible.

(13) Subsequent events

Management has evaluated subsequent events through March 21, 2014 (the date the financial statements were available to be issued). Management believes no events have occurred subsequent to the statement of financial position date and through March 21, 2014 that would require adjustment to or disclosure in Mary's Shelter's financial statements.