



**INTERNATIONAL MEDICAL CORPS**  
(A California Nonprofit Corporation)

Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)



KPMG LLP  
Suite 700  
20 Pacifica  
Irvine, CA 92618-3391

## Independent Auditors' Report

The Board of Directors  
International Medical Corps:

### Report on the Financial Statements

We have audited the accompanying financial statements of International Medical Corps, which comprise the statements of financial position as of June 30, 2014 and 2013, 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 U.S. generally accepted accounting principles; 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 International Medical Corps as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014 on our consideration of International Medical Corps' 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 International Medical Corps' internal control over financial reporting and compliance.

KPMG LLP

February 5, 2015

**INTERNATIONAL MEDICAL CORPS**  
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Statements of Financial Position

June 30, 2014 and 2013

<b>Assets</b>	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$ 5,056,479	8,557,277
Grants receivable	12,849,880	11,253,432
Other receivables	7,887,765	2,921,404
Investments in equity securities	1,513,219	1,062,617
Prepaid expenses	2,287,621	1,813,783
Deposits	257,965	168,722
Inventory of supplies and commodities	494,473	328,848
Equipment, net	3,739,651	2,541,352
Total assets	\$ 34,087,053	28,647,435
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 9,062,438	5,260,206
Accrued liabilities	8,324,833	6,908,555
Refundable advances	5,403,614	8,146,098
Deferred rent	217,877	194,723
Note payable	378,444	250,910
Obligation under capital leases	812,452	103,625
Total liabilities	24,199,658	20,864,117
Unrestricted	5,745,051	3,056,962
Temporarily restricted	3,842,344	4,426,356
Permanently restricted	300,000	300,000
Total net assets	9,887,395	7,783,318
Total liabilities and net assets	\$ 34,087,053	28,647,435

See accompanying notes to financial statements.

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Statement of Activities

Year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Contract and grant support	\$ 138,457,263	—	—	138,457,263
Contributions	4,747,031	4,503,378	—	9,250,409
Donated medical supplies	4,952,935	12,552,921	—	17,505,856
Donated medical services	186,446	—	—	186,446
Total public support	<u>148,343,675</u>	<u>17,056,299</u>	<u>—</u>	<u>165,399,974</u>
Revenue:				
Interest and dividend income	19,293	—	—	19,293
Net realized and unrealized gain on investments	308,106	—	—	308,106
Other	160,155	14,177	—	174,332
Total revenue	<u>487,554</u>	<u>14,177</u>	<u>—</u>	<u>501,731</u>
Total public support and revenue	148,831,229	17,070,476	—	165,901,705
Net assets released from restrictions	17,654,488	(17,654,488)	—	—
Total public support and revenue and net assets released from restrictions	<u>166,485,717</u>	<u>(584,012)</u>	<u>—</u>	<u>165,901,705</u>
Expenses:				
Program services	137,938,494	—	—	137,938,494
Program management and evaluation	9,752,463	—	—	9,752,463
Total program expenses	<u>147,690,957</u>	<u>—</u>	<u>—</u>	<u>147,690,957</u>
Supporting services:				
Management and general	14,212,326	—	—	14,212,326
Fund-raising	1,894,345	—	—	1,894,345
Total supporting services	<u>16,106,671</u>	<u>—</u>	<u>—</u>	<u>16,106,671</u>
Total expenses	<u>163,797,628</u>	<u>—</u>	<u>—</u>	<u>163,797,628</u>
Change in net assets	2,688,089	(584,012)	—	2,104,077
Net assets at beginning of the year	3,056,962	4,426,356	300,000	7,783,318
Net assets at end of the year	<u>\$ 5,745,051</u>	<u>3,842,344</u>	<u>300,000</u>	<u>9,887,395</u>

See accompanying notes to financial statements.

**INTERNATIONAL MEDICAL CORPS**  
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Statement of Activities

Year ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Contract and grant support	\$ 97,190,610	—	—	97,190,610
Contributions	2,756,652	4,738,651	—	7,495,303
Donated medical supplies	2,292,901	11,550,896	—	13,843,797
Donated medical services	159,795	—	—	159,795
Total public support	<u>102,399,958</u>	<u>16,289,547</u>	<u>—</u>	<u>118,689,505</u>
Revenue:				
Interest and dividend income	16,237	—	—	16,237
Net realized and unrealized gain on investments	194,120	—	—	194,120
Other	70,405	40,758	—	111,163
Total revenue	<u>280,762</u>	<u>40,758</u>	<u>—</u>	<u>321,520</u>
Total public support and revenue	102,680,720	16,330,305	—	119,011,025
Net assets released from restrictions	18,648,897	(18,648,897)	—	—
Total public support and revenue and net assets released from restrictions	<u>121,329,617</u>	<u>(2,318,592)</u>	<u>—</u>	<u>119,011,025</u>
Expenses:				
Program services	102,073,338	—	—	102,073,338
Program management and evaluation	7,568,594	—	—	7,568,594
Total program expenses	<u>109,641,932</u>	<u>—</u>	<u>—</u>	<u>109,641,932</u>
Supporting services:				
Management and general	11,271,895	—	—	11,271,895
Fund-raising	1,561,099	—	—	1,561,099
Total supporting services	<u>12,832,994</u>	<u>—</u>	<u>—</u>	<u>12,832,994</u>
Total expenses	<u>122,474,926</u>	<u>—</u>	<u>—</u>	<u>122,474,926</u>
Change in net assets	(1,145,309)	(2,318,592)	—	(3,463,901)
Net assets at beginning of the year	4,202,271	6,744,948	300,000	11,247,219
Net assets at end of the year	<u>\$ 3,056,962</u>	<u>4,426,356</u>	<u>300,000</u>	<u>7,783,318</u>

See accompanying notes to financial statements.

**INTERNATIONAL MEDICAL CORPS**  
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Statements of Cash Flows

Years ended June 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities:		
Change in net assets	\$ 2,104,077	(3,463,901)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributed investments	(365,402)	(62,967)
Depreciation and amortization	1,153,908	721,027
Realized/unrealized gain on investments	(308,106)	(194,120)
Loss (gain) on disposal of capital asset	(3,069)	11,358
Change in operating assets and liabilities:		
Grants receivable	(1,596,448)	(3,300,317)
Other receivables	(4,966,361)	(806,193)
Prepaid expenses	(473,838)	(342,916)
Deposits	(89,243)	44,995
Inventory of supplies and commodities	(165,625)	878,850
Accounts payable and accrued liabilities	5,218,510	3,721,945
Refundable advances	(2,742,484)	2,451,365
Deferred rent	23,154	19,211
Net cash used in operating activities	(2,210,927)	(321,663)
Cash flows from investing activities:		
Purchases of equipment	(1,522,607)	(868,381)
Proceeds from sale of contributed investments	222,926	4,258
Net cash used in investing activities	(1,299,681)	(864,123)
Cash flows from financing activities:		
Proceeds from note payable	351,199	—
Principal payments on note payable	(223,665)	(154,593)
Principal payments under capital leases	(117,724)	(169,034)
Net cash provided by (used in) financing activities	9,810	(323,627)
Net decrease in cash and cash equivalents	(3,500,798)	(1,509,413)
Cash and cash equivalents, beginning of year	8,557,277	10,066,690
Cash and cash equivalents, end of year	\$ 5,056,479	8,557,277
Supplemental information:		
Contributed investments	\$ 356,402	62,967
Cash paid for interest expense	43,394	45,125
Acquisition of capital equipment under capital lease	910,338	—

See accompanying notes to financial statements.

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**(1) Nature of Organization**

International Medical Corps (the Organization), incorporated under the General Nonprofit Corporation Law of the State of California, is a nonaligned, nonpolitical, and nonprofit humanitarian organization. Its mission is to improve the quality of life through health interventions and related activities that build local capacity to restore and maintain healthcare systems in a country or region.

To fulfill its purpose, the Organization receives grants from foundations and corporations, including AmeriCares, Amgen, the Bill & Melinda Gates Foundation, Conrad Hilton Foundation, ExxonMobil, GE Corporation, Global Giving, Hess Corporation, MetLife, P&G, and Wells Fargo.

In addition, the Organization receives funds under federal grants, cooperative agreements, and contracts from the U.S. Agency for International Development (USAID) and its Office of the U.S. Foreign Disaster Assistance (OFDA), the U.S. Department of State and its Bureau of Population, Refugees, and Migration (PRM), and the Department of Health and Human Services (DHHS) and its Centers for Disease Control and Prevention (CDC).

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

**(a) Basis of Presentation**

The Organization's financial statements have been prepared on the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles.

The Organization classifies revenues, gains, expenses, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations or law and that may be expendable for any purpose in performing the Organization's primary objective.
- *Temporarily restricted net assets* – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Organization or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. 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 temporarily restricted support until the assets are placed in service.
- *Permanently restricted net assets* – Net assets that are permanently restricted by the donors or by law for investment in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for unrestricted purposes.

**(b) Cash and Cash Equivalents**

For the purposes of the statements of cash flows, cash equivalents consist of short-term, highly liquid invested funds with original maturities of less than three months. The June 30, 2014 cash and cash

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equivalents balance consisted of \$4,250,237 of cash and \$806,242 of government money market funds. The June 30, 2013 cash and cash equivalents balance consisted of \$7,988,939 of cash and \$568,338 of government money market funds.

For cash held in the United States, the Organization places its cash in high-credit quality institutions and generally limits the amount of credit exposure not to exceed the Federal Deposit Insurance Company (FDIC) insurance coverage limit of \$250,000. Such amounts may be in excess of the FDIC limits. The balances in excess of FDIC limits were \$1,729,235 and \$5,642,597 at June 30, 2014 and 2013, respectively. Management believes that the risk with respect to the balances in excess of FDIC limits is minimal.

Additionally, under various grant agreements, the Organization is also required to maintain cash balances inside foreign countries and in the local currencies.

**(c) *Investments in Equity Securities***

Investments in equity securities are carried at fair value. Fair value is determined in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement* (ASC Topic 820), as further described in note 11.

Investment transactions are recorded on the trade-date basis. Realized and unrealized gains and losses are recognized in the statement of activities.

**(d) *Contributions***

Contributions, including unconditional promises to give, are recognized as revenue in the period received at estimated net realizable value.

**(e) *Grant Revenue Recognition***

Funds provided under grants or contracts, which are not considered contributions, are deemed to be earned and reported as revenue when the Organization has incurred expenditures in compliance with the specific terms of the grant or contract. Grant or contract funds received for which no corresponding expenditure has yet been made are accounted for as refundable advances. Expenditures made in advance of funds received are recorded as grants receivables. Interest earned on federal funds is the property of the federal government and, if earned, is remitted to the federal government on a regular basis. Accordingly, such interest is not reflected as revenue in the accompanying financial statements.

**(f) *Inventory of Supplies and Commodities***

Inventory consists of pharmaceuticals, medical supplies, and other commodities received from outside donors. Inventory is recorded at estimated fair value at the date of contribution and is based on the first-in, first-out method. Inventory sent by the donor directly to the field is recorded as unrestricted revenues. Inventory sent by the Organization headquarters is released from restriction upon receipt at destination, typically the field office.

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(g) ***Prepaid Expenses***

Prepaid expenses consist mainly of the unexpired portion of various insurance premiums paid and advance rental payments.

(h) ***Equipment***

Equipment acquired is recorded at cost at the time of purchase or, if contributed, at the fair value at the date of contribution. Depreciation is calculated using the straight-line method over the estimated useful lives as shown below:

Machinery and equipment	3–5 years
Leasehold improvements	3–5 years
Automobiles	3–5 years
Computer hardware and software	3–5 years

Equipment purchased under the specific terms of certain grants remain generally within the control of the grantor and are subject to transfer to other projects or organizations under the terms of the agreement. Such equipment is not capitalized by the Organization, but is expensed against the specific grant in the period purchased.

When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss arising from such disposition is recorded. Expenditures for repairs and maintenance are charged to expense as incurred.

(i) ***Accrued Liabilities***

Accrued liabilities consist mainly of unpaid earned payroll and fringe benefits.

(j) ***Income Taxes***

The Organization has received tax-exempt status as a publicly supported organization as provided in the Internal Revenue Code under Section 501(c)(3) and the California Revenue and Taxation Code Section 23701d. However, the Organization remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

The Organization has adopted the FASB ASC Subtopic 740, *Income Taxes*, related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation requires that the entity account for and disclose in the financial statements the impact of a tax position if that position will more likely than not be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Organization has evaluated the financial statement impact of tax positions

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taken or expected to be taken and determined it has no uncertain tax positions that would require tax assets or liabilities to be recorded in accordance with accounting guidance.

**(k) *Donated Medical Supplies and Services***

The estimated fair value of donated medical supplies is reflected as public support in the accompanying financial statements.

Donated services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. The Organization receives contributed medical services provided by doctors and nurses. The estimated fair value of these services has been recorded in the accompanying financial statements.

**(l) *Functional Expenses***

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on management's estimates.

**(m) *Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**(n) *New Accounting Pronouncements***

In May 2011, the FASB issued Accounting Standards Update (ASU) 2011-04, an amendment to FASB ASC 820, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This update clarified the application of existing fair value measurement requirements and changed certain requirements relating to fair value disclosures for certain entities for assets, which are categorized within Level 3 of the fair value hierarchy. The Organization adopted this guidance for the year ended June 30, 2014. This adoption did not have a significant impact on the Organization's financial statements.

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**(3) Grants Receivable**

Grants receivable as of June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
U.S. Agency for International Development	\$ 7,957,633	7,842,165
U.S. Department of State	4,448,948	1,988,272
U.S. Department of Health and Human Services	118,988	787,001
Others	324,311	635,994
	<u>\$ 12,849,880</u>	<u>11,253,432</u>

**(4) Equipment**

A summary of equipment as of June 30 is as follows:

	<u>2014</u>	<u>2013</u>
Machinery, computer hardware, and equipment	\$ 2,699,624	1,686,500
Leasehold improvements	1,140,916	811,080
Automobiles	29,950	29,950
Computer software	3,881,583	3,093,446
Furniture and fixtures	344,402	193,937
Total	<u>8,096,475</u>	<u>5,814,913</u>
Less accumulated depreciation and amortization	<u>(4,356,824)</u>	<u>(3,273,561)</u>
	<u>\$ 3,739,651</u>	<u>2,541,352</u>

Depreciation and amortization expense totaled \$1,153,908 and \$721,027 for the years ended June 30, 2014 and 2013, respectively.

**(5) Employee Benefit Plan**

The Organization sponsors a retirement plan called the International Medical Corps Employee Benefits Plan (the Plan). All employees upon reaching 21 years of age are eligible to participate in the Plan after two years of eligible service. Pursuant to an eligibility requirement amendment effective January 1, 2006, an employee's service in the nonprofit health and social services field within the three-year period immediately preceding the Organization employment is counted toward the two years of service requirement, provided the 1,000 hours of service requirement with such organization for each year of prior service has been met.

The Organization contributes 10.5% of eligible employee compensation, as defined in the Plan document. Employees are immediately fully vested in contributions made on their behalf. Voluntary employee contributions are not permitted under the Plan. Contributions made by the Organization to the Plan totaled \$2,517,189 and \$2,138,422 for the years ended June 30, 2014 and 2013, respectively.

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**(6) Related-Party Transactions**

On November 1, 2002, the Organization entered into an Administrative Services Agreement with International Medical Corps UK, a registered charity in England and Wales, to assist International Medical Corps UK (IMC UK) in the achievement of its charitable objectives to relieve suffering, sickness, and poverty throughout the world by providing medical aid, healthcare training, and healthcare programs. Receivables from IMC UK mainly pertain to service fees, cash advances, and other related charges. Amounts of \$4,217,809 and \$1,673,681 are receivable from International Medical Corps UK as of June 30, 2014 and 2013, respectively, and are included as other receivables in the statements of financial position.

Amounts contributed to IMC UK during 2014 and 2013 totaled \$67,485 and \$2,014,206, respectively.

**(7) Commitments and Contingencies**

The Organization is currently under operating lease agreements for its offices in Santa Monica (lease expires in June 2021) and Washington, DC (lease expires in June 2017). Future minimum annual lease payments under these leases are as follows:

Year ending June 30:		
2015	\$	950,706
2016		944,075
2017		965,580
2018		469,026
2019 and thereafter		<u>1,557,621</u>
	\$	<u><u>4,887,008</u></u>

The Organization has commitments related to capital leases for office equipment and its virtual network environment. All capital leases are noncancelable and expire on various dates by 2019.

The future minimum annual lease payments under capital leases are as follows:

Year ending June 30:		
2015	\$	294,891
2016		312,803
2017		231,595
2018		69,180
2019		<u>51,885</u>
		960,354
Less amount representing maintenance cost		(60,192)
Less amount representing interest		<u>(87,710)</u>
Net present value of future minimum lease payments	\$	<u><u>812,452</u></u>

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As of June 30, 2014 and 2013, the cost of leased property and equipment under capital lease was \$2,015,234, and 1,256,279, respectively, and accumulated depreciation was \$1,097,112 and \$857,735, respectively.

Total rent expense for all operating leases for the years ended June 30, 2014 and 2013 totaled \$3,730,431 and \$3,534,467, respectively.

On November 6, 2013, the Organization entered into a seven-year operating lease agreement for the office space in Los Angeles. The lease commenced on July 1, 2014. The total estimated base rent payable over the life of the lease is \$3,346,102. In addition to the base rent payments, the Organization will be obligated to pay certain customary amounts for its share of operating expenses and tax obligations.

Grants require the fulfillment of certain conditions as set forth in the grant instruments. Federal grant programs are subject to review by the grantor agencies, which could result in requests for reimbursements to grantor agencies for disallowed expenditures. Management believes that it has adhered to the terms of its grants and that any disallowed expenditures resulting from such reviews would not have a material effect on the financial position of the Organization.

**(8) Concentrations of Risk**

Grants and contracts totaling \$96,233,817 and \$22,791,671 were received from the U.S. Agency for International Development and the U.S. Department of State, respectively, for the year ended June 30, 2014, which represents 58.0% and 13.7%, respectively, of total public support and revenue. Grants and contracts totaling \$60,120,887 and \$24,086,073 were received from the U.S. Agency for International Development and the U.S. Department of State, respectively, for the year ended June 30, 2013, which represents 50.5% and 20.2%, respectively, of total public support. Should these contribution levels decrease, the Organization may be adversely affected.

**(9) Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets totaling \$3,842,344 and \$4,426,356 at June 30, 2014 and 2013 are restricted for relief programs in future periods, respectively.

Permanently restricted net assets totaling \$300,000 at June 30, 2014 and 2013 consist of donor-restricted endowments to be used as revolving loan funds for emergency disaster relief intervention.

**(10) Line of Credit**

The Organization executed a bank revolving credit agreement (the Agreement) in September 2005, as amended, which allows borrowings of up to \$2,500,000. Borrowings under the Agreement bear interest at the greater of 3.5% or Prime Rate, which was 3.25% at June 30, 2014, plus 0.5%. The Agreement currently expires on April 1, 2015. There were no borrowings against the line of credit at June 30, 2014 and 2013.

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**(11) Investments in Equity Securities**

Investments during the years ended June 30, 2014 and 2013 consist of the following:

	<b>Fair value</b>	
	<b>2014</b>	<b>2013</b>
Domestic equity	\$ 1,427,086	1,008,395
Foreign equity	86,133	54,222
	<u>\$ 1,513,219</u>	<u>1,062,617</u>

The Organization adopted ASC Topic 820 as required by accounting principles generally accepted in the United States of America, effective July 1, 2008. ASC Topic 820 established a framework for measuring fair value and defines the fair value as the amount that would be exchanged for an asset or to transfer a liability between market participants in an orderly transaction.

ASC Topic 820 establishes a three-level fair value hierarchy that prioritizes the valuation techniques used to measure fair value. The three levels of the fair value hierarchy are:

- Level 1     Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2     Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the whole term of the assets or liabilities.
- Level 3     Prices or valuations that require inputs that are supported by little or no market activity and that are both significant to the fair value measurement and unobservable.

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At June 30, 2014 and 2013, all of the Organization's investments in equity securities are classified as Level 1 investments.

**(12) Endowment**

The Organization's endowment consists of one individual fund established for disaster relief. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

The total permanently restricted net assets of \$300,000 are donor-restricted endowments to be used as revolving loan funds.

Due to the nature of the endowment and the donor requirement, the endowments are invested in cash and cash equivalents throughout the year. During the years ended June 30, 2014 and 2013, the fair value of the assets associated with individual donor-restricted endowment funds did not fall below the level that the donor or UPMIFA requires the Organization to retain as funds of perpetual duration.

**(13) Subsequent Events**

The Organization has performed an evaluation of subsequent events through February 5, 2015, which is the date the financial statements were available to be issued.