INTERNATIONAL MEDICAL CORPS
(A California Nonprofit Corporation)

Financial Statements

June 30, 2013 and 2012

(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, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audit. We conducted our audit 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, 2013 and 2012, 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 18, 2013 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

December 18, 2013

INTERNATIONAL MEDICAL CORPS
(A California Nonprofit Corporation)

Statements of Financial Position

June 30, 2013 and 2012

Assets		**2013**	**2012**
Cash and cash equivalents	$	8,557,277	10,066,690
Grants receivable		11,253,432	7,953,115
Other receivables		2,921,404	2,115,211
Investments in equity securities		1,062,617	809,788
Prepaid expenses		1,813,783	1,470,867
Deposits		168,722	213,717
Inventory of supplies and commodities		328,848	1,207,698
Equipment, net		2,541,352	2,405,356
Total assets	$	28,647,435	26,242,442
Liabilities and Net Assets			
Accounts payable	$	5,260,206	2,619,399
Accrued liabilities		6,908,555	5,827,417
Refundable advances		8,146,098	5,694,733
Deferred rent		194,723	175,512
Note payable		250,910	405,503
Obligation under capital leases		103,625	272,659
Total liabilities		20,864,117	14,995,223
Unrestricted		3,056,962	4,202,271
Temporarily restricted		4,426,356	6,744,948
Permanently restricted		300,000	300,000
Total net assets		7,783,318	11,247,219
Total liabilities and net assets	$	28,647,435	26,242,442

See accompanying notes to financial statements.

INTERNATIONAL MEDICAL CORPS
(A California Nonprofit Corporation)

Statement of Activities

Year ended June 30, 2013

	Unrestricted	Temporarily restricted	Permanently restricted	Total
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	102,399,958	16,289,547	—	118,689,505
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	280,762	40,758	—	321,520
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	121,329,617	(2,318,592)	—	119,011,025
Expenses:				
Program services	102,073,338	—	—	102,073,338
Program management and evaluation	7,568,594	—	—	7,568,594
Total program expenses	109,641,932	—	—	109,641,932
Supporting services:				
Management and general	11,271,895	—	—	11,271,895
Fund-raising	1,561,099	—	—	1,561,099
Total supporting services	12,832,994	—	—	12,832,994
Total expenses	122,474,926	—	—	122,474,926
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	$ 3,056,962	4,426,356	300,000	7,783,318

See accompanying notes to financial statements.

INTERNATIONAL MEDICAL CORPS
(A California Nonprofit Corporation)

Statement of Activities

Year ended June 30, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Public support and revenue:				
Public support:				
Contract and grant support	$ 84,851,972	—	—	84,851,972
Contributions	3,377,089	6,287,211	—	9,664,300
Donated medical supplies	8,956,467	2,731,845	—	11,688,312
Donated medical services	576,444	—	—	576,444
Total public support	97,761,972	9,019,056	—	106,781,028
Revenue:				
Interest and dividend income	12,081	—	—	12,081
Net realized and unrealized loss on investments	(24,270)	—	—	(24,270)
Other	505,287	10,422	—	515,709
Total revenue	493,098	10,422	—	503,520
Total public support and revenue	98,255,070	9,029,478	—	107,284,548
Net assets released from restrictions	9,409,986	(9,409,986)	—	—
Total public support and revenue and net assets released from restrictions	107,665,056	(380,508)	—	107,284,548
Expenses:				
Program services	90,417,145	—	—	90,417,145
Program management and evaluation	5,882,427	—	—	5,882,427
Total program expenses	96,299,572	—	—	96,299,572
Supporting services:				
Management and general	10,406,636	—	—	10,406,636
Fund-raising	1,303,850	—	—	1,303,850
Total supporting services	11,710,486	—	—	11,710,486
Total expenses	108,010,058	—	—	108,010,058
Change in net assets	(345,002)	(380,508)	—	(725,510)
Net assets at beginning of the year	4,547,273	7,125,456	300,000	11,972,729
Net assets at end of the year	$ 4,202,271	6,744,948	300,000	11,247,219

See accompanying notes to financial statements.

INTERNATIONAL MEDICAL CORPS
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Statements of Cash Flows

Years ended June 30, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Change in net assets	$	(3,463,901)	(725,510)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Contributed investments		(62,967)	(128,357)
Depreciation and amortization		721,027	644,300
Realized/unrealized loss (gain) on investments		(194,120)	24,270
Loss (gain) on disposal of capital asset		11,358	(1,752)
Bad debt reserve		—	11,884
Change in operating assets and liabilities:			
Grants receivable		(3,300,317)	2,761,672
Other receivables		(806,193)	439,382
Prepaid expenses		(342,916)	(92,049)
Deposits		44,995	34,748
Inventory of supplies and commodities		878,850	289,256
Accounts payable and accrued liabilities		3,721,945	(1,219,832)
Refundable advances		2,451,365	(3,247,714)
Deferred rent		19,211	(121,960)
Net cash used in operating activities		(321,663)	(1,331,662)
Cash flows from investing activities:			
Purchases of equipment		(868,381)	(1,005,371)
Proceeds from sale of contributed investments		4,258	12,960
Net cash used in investing activities		(864,123)	(992,411)
Cash flows from financing activities:			
Proceeds from note payable		—	424,821
Principal payments on note payable		(154,593)	(138,662)
Principal payments under capital leases		(169,034)	(354,124)
Net cash used in financing activities		(323,627)	(67,965)
Net decrease in cash and cash equivalents		(1,509,413)	(2,392,038)
Cash and cash equivalents, beginning of year		10,066,690	12,458,728
Cash and cash equivalents, end of year	$	8,557,277	10,066,690
Supplemental information:			
Contributed investments	$	62,967	128,357
Cash paid for interest expense		45,125	39,703
Acquisition of capital equipment under capital lease		—	151,382

See accompanying notes to financial statements.

(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 American Jewish World Service, AmeriCares, the Bill & Melinda Gates Foundation, ExxonMobil, GE Corporation, Global Giving, Global Impact, Hess Corporation, Jewish World Watch, and MetLife.

In addition, the Organization receives funds under federal grants, cooperative agreements, and contracts from the United States 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.

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(b) Reclassifications

Certain reclassifications have been made to the 2012 financial statement information to conform to the 2013 financial statement presentation. There was no impact on the previously reported change in net assets of the Organization.

(c) 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, 2013 cash and cash equivalents balance consisted of $7,988,939 of cash and $568,338 of government money market funds. The June 30, 2012 cash and cash equivalents balance consisted of $9,518,618 of cash and $548,072 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 $5,892,597 and $6,207,849 at June 30, 2013 and 2012, 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.

(d) 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 Measurements and Disclosures* (ASC Topic 820), as further described in note 11.

Investment transactions are recorded on the trade-date basis. Realized gains and losses on disposition of investments represent the difference between the basis of the investment and the proceeds received from the sale.

(e) Contributions

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

(f) 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

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government on a regular basis. Accordingly, such interest is not reflected as revenue in the accompanying financial statements.

(g) 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.

(h) Prepaid Expenses

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

(i) 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.

(j) Accrued Liabilities

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

(k) 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

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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 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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, 2013. This adoption did not have a significant impact on the Organization's financial statements.

(3) Grants Receivable

Grants receivable as of June 30, 2013 and 2012 consist of the following:

		2013	2012
U.S. Agency for International Development	$	7,842,165	4,813,594
U.S. Department of State		1,988,272	2,159,433
U.S. Department of Health and Human Services		787,001	748,056
Others		635,994	232,032
	$	11,253,432	7,953,115

(4) Equipment

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

		2013	2012
Machinery, computer hardware, and equipment	$	1,686,500	1,544,837
Leasehold improvements		811,080	765,354
Automobiles		29,950	29,950
Computer software		3,093,446	2,423,812
Furniture and fixtures		193,937	193,937
Total		5,814,913	4,957,890
Less accumulated depreciation and amortization		(3,273,561)	(2,552,534)
	$	2,541,352	2,405,356

Depreciation and amortization expense totaled $721,027 and $644,300 for the years ended June 30, 2013 and 2012, 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 $2,138,422 and $2,061,864 for the years ended June 30, 2013 and 2012, respectively.

(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 $1,673,681 and $1,114,332 are receivable from International Medical Corps UK as of June 30, 2013 and 2012, respectively, and are included as other receivables in the statements of financial position.

Amounts contributed to IMC UK during 2013 and 2012 totaled 2,014,206 and $2,167,903, respectively.

(7) Commitments and Contingencies

The Organization is currently under operating lease agreements for its offices in Santa Monica (lease expires in June 2014) and Washington, DC (lease expires in June 2017). Future minimum annual lease payments under these leases are as follows:

Year ending June 30:		
2014	$	987,375
2015		432,024
2016		438,573
2017		445,123
	$	2,303,095

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 2017.

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

Year ending June 30:		
2014	$	44,208
2015		44,208
2016		44,208
2017		14,736
		147,360
Less amount representing maintenance cost		(37,880)
Less amount representing interest		(5,855)
Net present value of future minimum lease payments	$	103,625

As of June 30, 2013 and 2012, the cost of leased property and equipment under capital lease was $1,256,279, and accumulated depreciation was $857,735 and $606,479, respectively.

Total rent expense for all operating leases for the years ended June 30, 2013 and 2012 totaled $3,534,467 and $3,176,426, respectively.

On November 6, 2013, the Organization entered into a seven year operating lease agreement for the office space in Los Angeles. The lease will commence 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 $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. Grants and contracts totaling $44,082,884 and $24,132,125 were received from the U.S. Agency for International Development and the U.S. Department of State, respectively, for the year ended June 30, 2012, which represents 41.1% and 22.6%, 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 $4,426,356 and $6,744,948 at June 30, 2013 and 2012 are restricted for relief programs in future periods, respectively.

Permanently restricted net assets totaling $300,000 at June 30, 2013 and 2012 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 $2,000,000. Borrowings under the Agreement bear interest at the greater of 3.5% or Prime Rate, which was 3.25% at June 30, 2013, plus 0.50%. The Agreement currently expires on February 1, 2014. There were no borrowings against the line of credit at June 30, 2013 and 2012.

(11) Investments in Equity Securities

Investments during the years ended June 30, 2013 and 2012 consist of the following:

	Fair value	
	2013	**2012**
Domestic equity	$ 1,008,395	755,766
Foreign equity	54,222	54,022
	$ 1,062,617	809,788

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.

At June 30, 2013 and 2012, 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, 2013 and 2012, 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 December 18, 2013, which is the date the financial statements were available to be issued.