

NEIGHBORS, INC.

FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2014

NEIGHBORS, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Neighbors, Inc.
South St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Neighbors, Inc. (a nonprofit organization), which comprise the statement of financial position as of as of December 31, 2014 and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighbors, Inc. as of December 31, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Neighbors, Inc.'s 2013 financial statements, and our report dated June 26, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

St. Paul, Minnesota
July 7, 2015

Olsen Thielen + Co., Ltd.

NEIGHBORS, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2014

(With Comparative Amounts at December 31, 2013)

ASSETS		
	2014	2013
CURRENT ASSETS:		
Cash	\$ 893,005	\$ 350,555
Certificates of Deposit	77,828	77,704
Pledge Receivables	16,751	205,096
Other Receivables	1,150	1,150
Gift Certificates	6,403	7,041
Prepaid Expenses	1,058	558
Inventory	263,883	158,730
Total Current Assets	1,260,078	800,834
OTHER ASSETS:		
Pledge Receivables, Net	-	335,775
Endowment Fund Investments	424,882	401,120
Investments	254,682	249,976
Total Other Assets	679,564	986,871
PROPERTY AND EQUIPMENT, NET	1,697,004	1,741,235
TOTAL ASSETS	\$ 3,636,646	\$ 3,528,940
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 31,507	\$ 22,861
Accrued Vacation	37,270	33,337
Fiscal Agent Liability - St. Paul Foundation	206,179	207,763
Total Current Liabilities	274,956	263,961
LONG-TERM DEBT	450,000	450,000
NET ASSETS:		
Unrestricted Net Assets:		
Board Designated for Operating Reserve	722,580	219,888
Board Designated for Endowment Fund	253,341	229,579
Undesignated	1,747,477	1,653,100
Total Unrestricted Net Assets	2,723,398	2,102,567
Temporarily Restricted Net Assets	16,751	540,871
Permanently Restricted Net Assets	171,541	171,541
Total Net Assets	2,911,690	2,814,979
TOTAL LIABILITIES AND NET ASSETS	\$ 3,636,646	\$ 3,528,940

The accompanying notes are an integral part of the financial statements.

NEIGHBORS, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2014

(With Summarized Totals for the Year Ended December 31, 2013)

	2014			2013 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
SUPPORT AND REVENUE:					
Support:					
United Way Contributions	\$ 141,298	\$ -	\$ -	\$ 141,298	\$ 148,014
Contributions, Cash and Securities	434,216	-	-	434,216	402,681
Contributions, In-Kind	2,701,673	-	-	2,701,673	2,461,978
Foundation Grants	216,465	21,600	-	238,065	1,012,956
Total Support	<u>3,493,652</u>	<u>21,600</u>	<u>-</u>	<u>3,515,252</u>	<u>4,025,629</u>
Revenue:					
Government Fees	107,390	-	-	107,390	68,534
Sales to Public	108,592	-	-	108,592	96,622
Investment Income	32,059	-	-	32,059	61,988
Rental and Other Income	5,736	-	-	5,736	3,269
Total Revenue	<u>253,777</u>	<u>-</u>	<u>-</u>	<u>253,777</u>	<u>230,413</u>
Net Assets Released from Restrictions	<u>545,720</u>	<u>(545,720)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>4,293,149</u>	<u>(524,120)</u>	<u>-</u>	<u>3,769,029</u>	<u>4,256,042</u>
EXPENSES:					
Program Services	3,468,070	-	-	3,468,070	3,305,202
Management and General	145,166	-	-	145,166	163,494
Fundraising	59,082	-	-	59,082	79,002
Total Expenses	<u>3,672,318</u>	<u>-</u>	<u>-</u>	<u>3,672,318</u>	<u>3,547,698</u>
CHANGE IN NET ASSETS	620,831	(524,120)	-	96,711	708,344
NET ASSETS at Beginning of Year	<u>2,102,567</u>	<u>540,871</u>	<u>171,541</u>	<u>2,814,979</u>	<u>2,106,635</u>
NET ASSETS at End of Year	<u>\$ 2,723,398</u>	<u>\$ 16,751</u>	<u>\$ 171,541</u>	<u>\$ 2,911,690</u>	<u>\$ 2,814,979</u>

The accompanying notes are an integral part of the financial statements.

NEIGHBORS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2014

(With Summarized Totals for the Year Ended December 31, 2013)

	2014						Total Expenses	
	Program Services			Supportive Services			2014	2013
	Emergency Assistance	Supportive Assistance	Total Program	Management and General	Fundraising			
Salaries	\$ 373,691	\$ 112,701	\$ 486,392	\$ 71,179	\$ 35,590	\$ 593,161	\$ 592,824	
Employee Benefits	49,874	15,041	64,915	9,500	4,750	79,165	85,365	
Payroll Taxes	33,414	10,077	43,491	6,365	3,182	53,038	54,454	
Total Salaries and Benefits	<u>456,979</u>	<u>137,819</u>	<u>594,798</u>	<u>87,044</u>	<u>43,522</u>	<u>725,364</u>	<u>732,643</u>	
Non-Cash Assistance to Families	2,589,825	-	2,589,825	-	-	2,589,825	2,425,280	
Depreciation	38,427	11,589	50,016	7,320	3,660	60,996	58,085	
Cash Assistance to Families	45,631	-	45,631	-	-	45,631	55,237	
Professional Fees	21,926	6,613	28,539	4,178	2,088	34,805	29,486	
Utilities	17,816	5,373	23,189	3,394	1,697	28,280	27,956	
Interest	-	-	-	27,000	-	27,000	44,537	
Building Repairs and Maintenance	15,543	4,688	20,231	2,961	1,480	24,672	27,263	
Insurance	12,093	3,647	15,740	2,303	1,152	19,195	20,715	
Transportation Services	-	15,047	15,047	-	-	15,047	7,038	
Conferences	7,706	2,324	10,030	1,468	734	12,232	14,654	
Advertising	7,625	2,299	9,924	1,452	726	12,102	14,124	
Travel	7,623	2,299	9,922	1,452	726	12,100	11,449	
Printing	7,196	2,170	9,366	1,371	685	11,422	11,504	
Supplies	6,491	1,957	8,448	1,236	618	10,302	11,266	
Miscellaneous	6,737	2,032	8,769	1,283	642	10,694	10,178	
Grant Expense	-	10,111	10,111	-	-	10,111	532	
Postage	5,513	1,663	7,176	1,050	525	8,751	7,869	
Telephone	4,853	1,463	6,316	924	462	7,702	11,463	
Equipment Maintenance	3,835	1,157	4,992	730	365	6,087	6,894	
Capital Campaign	-	-	-	-	-	-	19,525	
Total	<u>\$ 3,255,819</u>	<u>\$ 212,251</u>	<u>\$ 3,468,070</u>	<u>\$ 145,166</u>	<u>\$ 59,082</u>	<u>\$ 3,672,318</u>	<u>\$ 3,547,698</u>	

The accompanying notes are an integral part of the financial statements.

NEIGHBORS, INC.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2014

(With Comparative Amounts for the Year Ended December 31, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 96,711	\$ 708,344
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	60,996	58,085
Reinvestment of Dividends and Interest	(27,966)	(19,041)
Unrealized Gains on Investments	(3,790)	(42,422)
Changes in Assets and Liabilities:		
Pledge Receivables	524,120	(168,966)
Other Receivables	-	15,060
Gift Certificates	638	(2,173)
Prepaid Expenses	(500)	1,000
Inventory	(105,153)	(29,399)
Accounts Payable	8,646	(12,610)
Accrued Vacation	3,933	(1,209)
Net Cash Provided By Operating Activities	557,635	506,669
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of Certificates of Deposit	77,704	77,538
Purchase of Certificates of Deposit	(77,828)	(77,704)
Sale of Investments	8,051	24,093
Purchase of Investments	(4,763)	(41,173)
Increase (Decrease) in Fiscal Agent Liability - St. Paul Foundation	(1,584)	20,679
Purchase of Property and Equipment	(16,765)	(37,811)
Net Cash Used In Investing Activities	(15,185)	(34,378)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments of Long-Term Debt	-	(499,309)
Net Cash Used In Financing Activities	-	(499,309)
NET CHANGE IN CASH	542,450	(27,018)
CASH at Beginning of Year	350,555	377,573
CASH at End of Year	\$ 893,005	\$ 350,555

The accompanying notes are an integral part of the financial statements.

NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Neighbors, Inc. (the Organization) is a nonprofit organization created by local churches in 1972 to address unmet needs in northern Dakota County, Minnesota. The principal purpose of the Organization is to provide neighborly assistance, in an organized fashion, primarily through the use of volunteers. Emergency services include the clothes closet, food shelf emergency grants and holiday assistance. Supportive services include transportation, tele-care, support groups, partnership initiative, parent support network and parish nurse program.

Basis of Presentation

In the accompanying financial statements, net assets that have similar characteristics have been combined into categories as follows:

Unrestricted - Net assets over which the Board of Directors has discretionary control. Designated amounts represent those net assets which the board has set aside for a particular purpose.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions pursuant to those stipulations or that expire with the passage of time.

Permanently Restricted - Net assets subject to donor imposed restrictions that they be maintained permanently by the Organization. The donors have permitted the Organization to use all or part of the income earned, including capital appreciation, for unrestricted or temporarily restricted purposes. Permanently restricted net assets consist of investments restricted for the endowment fund.

Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through July 7, 2015, the date the financial statements were available to be issued.

Certificates of Deposit

Certificates of deposit are those with maturities of less than one year but greater than three months when purchased. These investments are readily convertible to cash and are stated at cost plus accrued interest, which approximates fair value.

Receivables

Receivables are reported at the amount the Organization expects to collect on balances outstanding at year-end. Write-off of accounts receivable occurs when all collection efforts have been exhausted or certain conditions or forgiveness have been reached. The Organization has concluded that losses on balances outstanding at year-end will be immaterial.

NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. Fair value is determined by reference to quoted prices in active markets. Unrealized gains and losses are included in the statement of activities. Realized gains and losses are determined using the specific identification method. Interest and dividend income are reported as income when earned.

The Organization holds investments in a variety of investment funds. In general, its investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and such changes could be material to the amounts reported in the statement of financial position.

Inventory

Inventory consists of donated food, clothing and toys. Donated food and toys are valued at fair market value based on retail or wholesale prices of similar items. Donated clothing is valued at fair market value based on prices used in the Organization's clothes closet.

Property and Equipment

Property and equipment are recorded at original cost. Additions, improvements or major renewals are capitalized. If items of property are sold, retired or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gains or losses thereon are reflected in the statement of activities.

Depreciation is computed using the straight-line method at rates based on the estimated service lives of the various assets as follows:

Building and Improvements	15-40 Years
Office Equipment	3-10 Years
Furniture and Fixtures	5-15 Years

Revenue Recognition and Pledge Receivables

Government grants and contract revenue are recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Pledges receivable consists of unconditional promises to give and are recognized as revenue in the period made. Contributions to be received after one year are discounted using present value of future cash flows. Amortization of discounts is recorded as additional contribution revenue. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Contributed materials are recorded as contributions, when received, at their fair market value when such value can be objectively and accurately determined.

NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing various programs and services are summarized on a functional basis on the statement of activities. Accordingly, certain costs were allocated among the programs or services benefited based on best estimates by management.

Income Taxes

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, as amended. The Organization is also exempt from Minnesota income taxes. The Organization is subject to income taxes on unrelated business income due to the rental of debt-financed property and has determined that any liability would be insignificant.

The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Organization has identified no income tax uncertainties.

The Organization's federal and state tax returns are open to examination for tax years 2011 through 2013.

Advertising

Advertising costs are expensed as incurred. Total advertising expenses were \$12,102 for 2014.

Fair Value Measurements

Under generally accepted accounting principles, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards establish a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

Level 1 - Observable inputs such as quoted prices in active markets;

Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and,

Level 3 - Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

The Organization uses observable market data, when available, in making fair value measurements. Fair value measurements are classified according to the lowest level input that is significant to the valuation.

The Organization holds certain assets that are required to be measured at fair value on a recurring basis. The fair values of the Organization's Endowment Fund investments and other investments were determined by reference to quoted prices in active markets, which are Level 1 inputs. The Organization also holds inventories of donated food and toys valued at fair market value based on retail or wholesale prices of similar items and donated clothing valued at fair market value based on prices used in the Organization's clothes closet. These inventory valuations inputs are considered Level 2 inputs.

NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. The Organization had a credit risk concentration as a result of depositing \$472,580 of funds in excess of insurance limits in a single bank.

Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or by functional expense. In order to constitute a presentation in conformity with generally accepted accounting principles, information by net asset class and functional expense would be required. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

NOTE 2 - INVESTMENTS AND ENDOWMENT FUNDS

Endowment fund investments consist of mutual funds. The endowment fund includes permanently restricted contributions of \$171,541 as of December 31, 2014. The remaining endowment funds are unrestricted.

Endowment funds at December 31, 2014 consist of the following:

Mutual Funds:

Growth Fund of America	\$ 175,820
Federated Total Return Bond Fund	104,941
Franklin Mutual Shares Fund	81,111
Templeton World Fund	49,015
International Bond Fund of America	<u>13,995</u>
Total	<u>\$ 424,882</u>

Other investments are stated at their fair market value and consist of the following at December 31, 2014:

Preferred Stock	\$ 47,506
Mutual Funds:	
Bond Fund of America	35,973
Europacific Growth Fund	20,960
Fundamental Investors Fund	58,183
Growth Fund of America	50,369
International Bond Fund of America	21,110
Smallcap World Fund	<u>20,581</u>
Total	<u>\$ 254,682</u>

Investment return on all investments consists of the following:

Interest and Dividend Income	\$ 28,269
Net Unrealized Investment Gains	<u>3,790</u>
Total	<u>\$ 32,059</u>

NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2014:

Land	\$ 225,000
Building and Improvements	1,503,033
Office Equipment and Furniture	<u>168,783</u>
Total Property and Equipment	1,896,816
Less Accumulated Depreciation	<u>199,812</u>
Net Property and Equipment	<u>\$ 1,697,004</u>

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following:

Contract for deed payable, dated November 23, 2010. Interest rate of 6% until December 1, 2015, and then shall accrue at 2.75% over the Wall Street Journal prime rate. However, the rate cannot be less than 5% and not greater than 9%. The entire balance is due on December 1, 2020, and is secured by property.

\$ 450,000

Cash paid for interest was \$27,000 for 2014.

Principal payments required during the next five years are: 2015 - \$0; 2016 - \$0; 2017 - \$0; 2018 - \$0; and 2019 - \$0 and thereafter \$450,000.

In January 2015, the Organization repaid the contract for deed payable in its entirety.

NOTE 5 - PENSION PLAN

The Organization participates in a defined contribution 403(b) pension plan which covers substantially all of the Organization's employees. Expense for the plan was \$16,302 for the year ended December 31, 2014.

The Organization also participates in a multiemployer defined benefit pension plan in which 16 other agencies also participate. Of the approximate 1,400 participants, 1% are the Organization's employees. Effective December 31, 2004, the plan froze benefit accruals and, as a result, employees do not earn additional defined benefits for future services.

NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - PENSION PLAN (Continued)

As required by GAAP for this plan, an employer shall recognize as net pension cost the required contribution for the period and shall recognize as a liability any contribution due and unpaid. The funding is determined by the actuary and is allocated based on employee compensation among the participating agencies. The objective in funding the plan is to accumulate sufficient funds to provide for benefits and to achieve full funding to allow for termination of the plan. Because the plan's unfunded projected termination liability exceeds the fair market value of plan assets, continued annual contributions will be required in order to achieve full funding. If any participating agency defaults on their annual contributions, the remaining agencies assume the liability and contributions of the agency in default. Plan assets are invested based on a long-term investment strategy and held approximately 30% in fixed income securities and 70% in equity accounts. The Organization made contributions of \$16,880 in the year ended December 31, 2014, which is recognized as pension cost.

The following table presents information concerning our participation in the multiemployer defined benefit pension plan:

Legal Name	Twin Cities Nonprofit Partners Pension Plan
EIN/Plan Number	41-1973442/333
Plan Year End	12/31/14
Pension Protection Act % Funded	113%
Contributions Made by Neighbors, Inc.	\$16,880
Contributions as % of Total Contributed	1%
Rehabilitation Plan Status	N/A

NOTE 6 - ENDOWMENT FUNDS

The purpose of the endowment fund is to ensure financial stability by providing a steady stream of investment income which is available for restricted and unrestricted purposes. The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors. Net assets associated with the endowment funds, including funds designated by the Board, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of Neighbors, Inc. 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 board designated unrestricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - ENDOWMENT FUNDS (Continued)

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

- (1) The duration and preservation of the fund.
- (2) The purpose of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

The Organization has adopted investment and spending policies for investment assets to support the mission by providing earnings and capital appreciation to support agency programs, capital expenditures, and board-directed initiatives through a strategic plan that strives to maintain and grow the investment corpus and provide annual earnings to support the Organization's mission. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that preserve the inflation-adjusted value of the fund and maximize total return. The Organization targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Finance Committee of Neighbors, Inc. will review and recommend any amount to be distributed from the endowment assets on an as-needed basis.

Changes in endowment net assets for the year ended December 31, 2014 are as follows:

	<u>Permanently Restricted</u>	<u>Board Designated</u>	<u>Total</u>
BALANCE on December 31, 2013	\$ 171,541	\$ 229,579	\$ 401,120
Investment Activity:			
Unrealized Losses	-	(2,271)	(2,271)
Interest and Dividend Income	<u>-</u>	<u>26,033</u>	<u>26,033</u>
BALANCE on December 31, 2014	<u>\$ 171,541</u>	<u>\$ 253,341</u>	<u>\$ 424,882</u>

NOTE 7 - FUNDS HELD FOR OTHERS

The Organization entered into an investment management agreement with the St. Paul Foundation in 2012. Under the agreement, the Organization is to manage Helen Adair's donor advised funds at the St. Paul Foundation and agrees to supervise and direct investments in accordance with the guidelines in the agreement. The St. Paul Foundation retains full discretion over spending authority and disbursements of the funds. At December 31, 2014, the Organization holds \$206,179 in its investment accounts for the St. Paul Foundation.

NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - NET ASSETS

Temporarily program restricted net assets at December 31, 2014 consist of pledge receivables that are restricted for capital improvements and maintenance.

Temporarily restricted net assets released from restriction were \$545,720 in 2014. Temporarily restricted net assets were released from restriction due to satisfaction of program restrictions.