Keegan, Linscott & Kenon, PC
Certified Public Accountants
Certified Fraud Examiners
Certified Insolvency & Restructuring Advisors

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THE PRIMAVERA FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2013)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Primavera Foundation, Inc.
Tucson, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of The Primavera Foundation, Inc. (the "Organization") which comprise the statements of financial position as of June 30, 2014 and 2013, the related statements of cash flows for the years then ended, and the related statement of activities and changes in net assets for the year ended June 30, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Primavera Foundation, Inc. as of June 30, 2014 and 2013, and its cash flows for the years then ended and the results of its activities and changes in net assets for the year ended June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the 2013 statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Organization's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2014 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Keegan, Linscott & Kenon, PC

Tucson, Arizona
December 16, 2014

AUDITED FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30,

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 949,346	$ 1,506,999
Accounts and grants receivable, net	885,994	413,690
Real estate projects		
Property held for development	61,332	-
Property held for sale, net	505,526	1,608,651
Prepaid expenses and other current assets	114,284	70,399
Total current assets	2,516,482	3,599,739
Cash restricted for capital purposes	223,002	157,138
Investments	1,968,847	1,759,329
Property and equipment, net	7,824,788	6,856,959
Other assets		
Notes receivable - permanent liens	140,720	215,621
Investment in family limited partnership	-	150,000
Total assets	$ 12,673,839	$ 12,738,786
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 418,441	$ 204,025
Accrued expenses	271,001	346,922
Deferred revenue	317,694	2,009,034
Security deposits and other current liabilities	45,718	38,582
Current maturities of long-term debt	811,478	7,678
Total current liabilities	1,864,332	2,606,241
Long-term debt	1,531,549	1,436,478
Note payable - Pima County (Forgivable Loan)	151,631	151,631
Total liabilities	3,547,512	4,194,350
Unrestricted net assets		
Undesignated	5,293,159	4,836,988
Board designated	1,968,847	1,759,329
Total unrestricted net assets	7,262,006	6,596,317
Temporarily restricted net assets	294,271	509,652
Permanently restricted net assets	1,570,050	1,438,467
Total net assets	9,126,327	8,544,436
Total liabilities and net assets	$ 12,673,839	$ 12,738,786

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Summarized Total 2013
Revenues and Other Support					
Government grants and contracts	$ 3,597,899	$ -	$ -	$ 3,597,899	$ 3,040,852
Contributions and donations	899,751	526,329	-	1,426,080	1,354,527
NeighborWorks® America grants	438,656	-	200,000	638,656	215,896
Other grants	153,461	169,000	-	322,461	602,712
Primavera Works contracts	367,542	-	-	367,542	336,323
Donated meals	395,583	-	-	395,583	312,370
Rental income	469,152	-	-	469,152	419,384
Client fees	162,679	-	-	162,679	185,110
Special events	174,377	-	-	174,377	173,791
Neighborhood revitalization program income	2,179,799	-	-	2,179,799	377,978
Investment income, net	310,315	-	-	310,315	229,386
Gain on sale of investment in family limited partnership	122,935			122,935	-
Loss on disposal of property and equipment	(8,633)	-	-	(8,633)	(7,928)
Miscellaneous income	58,885	-	-	58,885	23,314
Net assets released from restrictions	979,127	(910,710)	(68,417)	-	-
Total revenues and other support	10,301,528	(215,381)	131,583	10,217,730	7,263,715
Expenses					
Program services	7,919,536	-	-	7,919,536	5,798,367
Management and general	1,260,794	-	-	1,260,794	954,658
Fundraising and development	455,509	-	-	455,509	463,805
Total expenses	9,635,839	-	-	9,635,839	7,216,830
Change in net assets	665,689	(215,381)	131,583	581,891	46,885
Net assets, beginning of year, as previously reported	7,041,367	509,652	993,417	8,544,436	8,497,551
Correction of misstatement	(445,050)	-	445,050	-	-
Net assets, beginning of year, as restated	6,596,317	509,652	1,438,467	8,544,436	8,497,551
Net assets, end of year	$ 7,262,006	$ 294,271	$ 1,570,050	$ 9,126,327	$ 8,544,436

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30,

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	$ 581,891	$ 46,885
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	424,533	408,579
Loss on disposal of property and equipment	8,633	7,928
Realized / unrealized gain on investments	(271,725)	(177,173)
Gain on sale of investment in family limited partnership	(122,935)	-
Grants restricted for capital purposes	(200,000)	(75,000)
Changes in operating assets and liabilities		
Accounts and grants receivable, net	(472,304)	116,185
Pledge receivable	-	150,000
Real estate projects		
Property held for development	(61,332)	53,767
Property held for sale, net	1,103,125	(767,905)
Prepaid expenses and other current assets	(43,885)	(9,865)
Accounts payable	214,416	121,659
Accrued expenses	(75,921)	137,385
Deferred revenue	(1,691,340)	1,494,879
Security deposits and other current liabilities	7,136	1,325
Net cash (used in) provided by operating activities	(599,708)	1,508,649
Cash Flows from Investing Activities		
(Increase) decrease in cash restricted for capital purposes	(65,864)	198,654
Proceeds from sale of property and equipment	1,800	-
Purchases of property and equipment	(1,402,795)	(2,582,477)
Proceeds from sale of investments	100,000	27,993
Purchases of investments	(37,793)	(41,676)
Decrease (increase) in permanent liens provided	74,901	(35,485)
Proceeds from sale of investment in family limited partnership	272,935	-
Net cash used in investing activities	(1,056,816)	(2,432,991)
Cash Flows from Financing Activities		
Proceeds from issuance of long-term debt	1,299,026	1,200,974
Principal payments on long-term debt	(400,155)	-
Grants restricted for capital purposes	200,000	75,000
Net cash provided by financing activities	1,098,871	1,275,974
Net change in cash and cash equivalents	(557,653)	351,632
Cash and cash equivalents, beginning of year	1,506,999	1,155,367
Cash and cash equivalents, end of year	$ 949,346	$ 1,506,999
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 44,392	$ 6,169

NOTES TO FINANCIAL STATEMENTS

1. Purpose of Organization

The Primavera Foundation, Inc. (the "Organization") is a non-profit community housing development and social service agency incorporated in Arizona in 1983. The mission of the Organization is "to provide pathways out of poverty through safe, affordable housing, workforce development, and neighborhood revitalization." On July 1, 2007, Traveler's Aid Society, Inc. merged into the Organization.

The purpose of the Organization is to address the systematic causes of homelessness in Tucson, Arizona and the surrounding areas through education, advocacy, and model programs in emergency services, affordable rental housing, workforce development, neighborhood revitalization, and homeownership promotion and preservation. The Organization's programs are designed to facilitate progress toward individual economic independence, asset building, and community development with the goal of empowering the impoverished of the community to move from homelessness to maintaining social and economic well-being and long-term financial security. The Organization's primary sources of revenue are grants, unrestricted contributions, rent from low income housing, workforce development contracts, homeownership promotion and education services, and neighborhood revitalization.

2. Significant Accounting Policies

Basis of Presentation
The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP") that the Organization follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to GAAP issued by the FASB are to the FASB Accounting Standards Codification ("ASC").

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with the provisions of ASC 958, *Not-for-Profit Entities*. Under this authoritative guidance, the Organization is required to provide financial statements which are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

- **Unrestricted** – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

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

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (continued)

Basis of Presentation (continued)

- **Permanently Restricted** – Net assets that are subject to donor-imposed stipulations that assets be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the investment return of these assets for futhering the Organization's mission. The permanently restricted net assets of the Organization were derived from capital grants received from NeighborWorks® America. In accordance with the NeighborWorks® America Investment and Grant agreement, the Organization is required to use the restricted funds for capital projects and making affordable loans. For all homebuyer assistance, a repayable lien is to be placed on the property for the amount of the assistance, which are included in notes receivable – permanent liens in the accompanying statements of financial position. Any funds not expended for these purposes, are fully invested in either United States government securities (or securities guaranteed by the United States government), or exclusively in federally (or state) insured depository accounts. The write-down, transfer or release from restriction of permanently restricted NeighborWorks® America capital funds requires prior written approval from NeighborWorks® America.

The Organization reports contributions of cash and other assets as restricted support, if they are received with donor stipulations that limit the use of the donated assets to a specific time period or a specific purpose, as temporarily restricted net assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities and changes in net assets as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the support is received.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. Cash and cash equivalents include short-term certificates of deposit and money market accounts. Cash equivalents are stated at cost plus accrued interest, which approximates fair value and are considered Level 1 inputs in the fair value hierarchy.

The Organization places its cash and cash equivalents with high credit quality institutions. At times, such deposits may be in excess of the FDIC insurance limit; however, management does not believe it is exposed to any significant credit risk on cash and cash equivalents. All such cash accounts are monitored by management to mitigate risk.

Investments

Debt and Equity Securities – Investments are accounted for in accordance with ASC 958-320, *Investments - Debt and Equity Securities*. Investments are valued at their fair values in the accompanying statements of financial position. Investment income, including gains and losses, are reported in the statement of activities and changes in net assets as increases or decreases in net assets. Donated investments are recorded at fair value at the date of donation.

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (continued)

Investments (continued)
Debt and Equity Securities – (continued)
The Organization invests in professionally managed portfolios that contain equity and fixed income securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Organization employs a systematic methodology on an annual basis that considers available quantitative and qualitative evidence in evaluating potential impairment of investments. If the cost of an investment exceeds its fair value, management evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and the intent and ability to hold the investment. The Organization also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other-then-temporary, an impairment charge is recorded and a new cost basis in the investment is established.

Accounts and Grants Receivable
Accounts and grants receivable balances are primarily due from governmental agencies and service recipients in Arizona. The Organization grants unsecured credit to these customers. The carrying amount of accounts and grants receivable are reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific accounts and the aging of the receivable. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Accounts and grants receivable are presented net of an allowance for doubtful accounts of $14,519 and $15,249 as of June 30, 2014 and 2013, respectively.

Real Estate Projects
The Organization participates in federally sponsored projects that construct; or, acquire, renovate, rent, and sell homes to low income qualified buyers. All costs associated with the purchase and renovations of these homes are capitalized. The amounts received from the federal sponsor are deferred until the actual date of sale of the home or the completion of the contract period at which time the deferred revenue and the associated capitalized costs are relieved and recognized as revenue and expense.

The Organization reviews the carrying value of property held for development for impairment whenever events and circumstances indicate that the carrying value may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value. The factors considered by management in performing this assessment include real estate trends and prospects, demand, and other economic factors. Property held for sale is stated at the lower of its carrying value (cost) or fair value and is presented net of a valuation allowance of $105,759 and $0 as of June 30, 2014 and 2013, respectively.

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (continued)

Cash Restricted for Capital Purposes

The Organization received $200,000 and $75,000 in capital grant funds from NeighborWorks® America during the years ended June 30, 2014 and 2013, respectively. The Organization spent $65,719 and $171,608 for capital improvements and foreclosure prevention loans during the years ended June 30, 2014 and 2013, respectively. In addition, NeighborWorks® America released $68,417 and $102,046 of capital funds to support the Organization's operations during the years ended June 30, 2014 and 2013, respectively. Cash restricted for capital purposes totaled $223,002 and $157,138 as of June 30, 2014 and 2013, respectively, and are held in FDIC insured money market depository accounts. The fair value of these money market accounts approximates their carrying value and are considered Level 1 inputs in the fair value hierarchy.

Property and Equipment

Property and equipment are stated at cost if purchased, or fair value if donated. Depreciation is calculated using the straight-line method over the estimated useful life of the assets as follows:

Buildings and improvements	7 - 40 years
Vehicles	5 years
Furniture, fixtures and equipment	5 – 8 years

Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements, and is included in depreciation expense. Acquisitions of property and equipment and repairs or betterments that materially prolong the useful lives of assets in excess of $1,000 are capitalized. Repairs and maintenance for normal upkeep are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is recognized.

In accordance with ASC 360-10, *Property, Plant and Equipment*, the Organization periodically reviews the carrying value of long-lived assets held and used, and assets to be disposed of, for possible impairment when events and circumstances warrant such a review. Through June 30, 2014, the Organization had not experienced impairment losses on its long-lived assets.

Investment in Family Limited Partnership

The investment in family limited partnership consisted of a limited partnership interest representing 0.66% of the Bartol Family Partnership L.P. ("Partnership") and in accordance with ASC 958-325-15 was stated at the lower of cost or fair value. The Partnership held certain investments including stocks, bonds, marketable securities, and other investment partnerships and generated investment income, a portion of which was distributed on a semi-annual basis. During 2014, the Organization liquidated its investment in the Partnership for $272,935, which resulted in a gain of $122,935 and is included in the accompanying statement of activities and changes in net assets for the year ended June 30, 2014.

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (continued)

Revenue Recognition
The Organization accounts for its government funded grants and contracts as exchange transactions. Revenue is recognized as an increase in the statement of activities and changes in net assets as expenditures are incurred in accordance with applicable grant agreements under expenditure reimbursement contracts. Amounts received from government funding in connection with homes or property to be used or sold are deferred until such time that the home or property is placed into service or sold to qualified buyers. Amounts received under unit rate contracts and client fees are earned when services are provided. A receivable is recorded to the extent contract revenue exceeds payment received; conversely, advances in excess of costs incurred under grants are deferred and recognized as revenue when the related expense is incurred or service is rendered. Rental income is recognized as rents become due. Revenue is generated through monthly rental payments from qualified low-income tenants. All revenue received from tenants is recognized when services are provided. Rental receipts received in advance are deferred until earned. Contributions, including grants from NeighborWorks® America, are recognized upon the Organization receiving notification of an unconditional promise to give. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Donated Goods, Property and Services
Support arising from donated goods, property and services is recognized in the financial statements at its fair value. Donated services are recognized when the services received:

- Create or enhance non-financial assets, or

- Require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Although the Organization utilizes the services of outside volunteers to perform a variety of tasks that assist the Organization, the fair value of all these services may not be reflected in the financial statements because the above criteria are not met.

During the years ended June 30, 2014 and 2013, the Organization maintained records to accumulate and value donated meals. Meals are valued using a blended rate of $4.50 per meal to reflect differences in costs between breakfast, lunch and dinner.

Allocation of Expenses
Directly identifiable expenses are charged to programs. Expenses related to more than one function are charged to programs and supporting services on the basis of management's estimate of time and utilization. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support of the Organization.

Income Taxes
The Organization is exempt from federal and state income taxes under the Federal Internal Revenue Code ("IRC") Section 501(c)(3) and Arizona income tax laws, and is classified as other than a private foundation under IRC Section 509(a)(1). The Organization also qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(a).

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (continued)

Income Taxes (continued)
Management has considered its tax positions in accordance with the accounting standard for uncertainty in income taxes and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. In addition, Management is not aware of any matters which would cause the Organization to lose its tax-exempt status. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Should the Organization ever be subject to interest and penalties related to unrecognized tax benefits, they would be classified in management and general expenses in its accompanying financial statements. During the years ended June 30, 2014 and 2013, the Organization did not recognize any interest and penalties.

Use of Estimates
The preparation of financial statements in conformity with GAAP 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. The most significant estimates relate to the allowance for doubtful accounts, valuation allowance for property held for sale, fair value of donated meals and useful life of property and equipment. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

Prior Year Information
The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Reclassification
Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation, with no effect on net assets.

3. Correction of Misstatement

During 2011 and 2012, the Organization received capital funding from NeighborWorks® America for the rehabilitation of affordable housing. These funds were segregated from existing NeighborWorks® America permanently restricted capital funds and included in unrestricted net assets. However, during 2014, management determined that these funds should have been accounted for as permanently restricted net assets. As a result, a correction of an error was recorded during 2014 to transfer $445,050 from unrestricted net assets to permanently restricted net assets. No other accounts besides the unrestricted and permanently restricted net asset account balances were significantly affected by the correction.

NOTES TO FINANCIAL STATEMENTS

4. Recent Accounting Pronouncements

In October 2012, the FASB issued ASU No. 2012-05, *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The amendments in this ASU require a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit - imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the not-for-profit entity.

The amendments in the ASU are effective prospectively for fiscal years, and interim fiscal periods within those years, beginning after June 15, 2013. Retrospective application to all periods presented upon the date of adoption is permitted. Early adoption from the beginning of the fiscal year of adoption is permitted. The adoption of this guidance impacted the Organization's financial statement disclosures only.

5. Cash Composition by Net Asset Class

Cash, cash equivalents, and restricted cash consist of the following, by net asset class:

	2014	2013
Unrestricted –undesignated	$ 655,075	$ 997,347
Temporarily restricted	294,271	509,652
	949,346	1,506,999
Permanently restricted	223,002	157,138
	$ 1,172,348	$ 1,664,137

6. Investments

Debt and equity investments consist of the following as of June 30:

	2014	2013
Mutual funds	$ 1,968,847	$ 1,759,329

Included in investment income, net:

	2014	2013
Interest and dividends	$ 38,590	$ 52,213
Realized gain	24,653	-
Unrealized gain	247,072	177,173
	$ 310,315	$ 229,386

NOTES TO FINANCIAL STATEMENTS

7. Fair Value Measurements

The Organization utilizes the fair value hierarchy required by ASC 820 which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The fair value of the Organization's mutual funds was determined based on Level 1 inputs, using unadjusted quoted market prices as of the measurement date. The fair value of the investment in family limited partnership was based on significant inputs that are not observable in the market and, therefore, is classified within Level 3 of the fair value hierarchy.

The following table represents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2014:

Description	6/30/2014	Level 1	Level 2	Level 3
Mutual funds				
Large Growth	$ 685,791	$ 685,791	$ -	$ -
Intermediate-Term Bond	591,589	591,589	-	-
Large Blend	691,467	691,467	-	-
Total mutual funds	1,968,847	1,968,847	-	-
Investment in Family Limited Partnership	-	-	-	-
Total	$ 1,968,847	$ 1,968,847	$ -	$ -

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2014:

	Investment in Family Limited Partnership
Beginning balance, July 1, 2013	$ 150,000
Realized gain included in changes in net assets	122,935
Purchases	-
Sales	(272,935)
Transfers in and/or out of Level 3	-
Ending balance, June 30, 2014	$ -

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements (continued)

The following table represents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2013:

Description	6/30/2013	Level 1	Level 2	Level 3
Mutual funds				
Large Growth	$ 576,860	$ 576,860	$ -	$ -
Intermediate-Term Bond	599,395	599,395	-	-
Large Blend	583,074	583,074	-	-
Total mutual funds	1,759,329	1,759,329	-	-
Investment in				
Family Limited Partnership	150,000	-	-	150,000
Total	$ 1,909,329	$ 1,759,329	$ -	$ 150,000

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2013:

	Investment in Family Limited Partnership
Beginning balance, July 1, 2012	$ 150,000
Purchases	-
Sales	-
Transfers in and/or out of Level 3	-
Ending balance, June 30, 2013	$ 150,000

There were no non-recurring measurements of fair value during 2014 and 2013.

8. Accounts and Grants Receivable, Net

The following is a summary of accounts and grants receivable by source as of June 30:

	2014	2013
Arizona Department of Economic Security	$ 398,831	$ -
City of South Tucson	6,601	6,601
City of Tucson	107,030	27,344
Community Planning and Development	30,944	44,194
NeighborWorks® America	37,867	-
Pima County	105,819	177,881
U.S. Department of Labor	-	13,188
U.S. Department of Veterans Affairs	99,066	59,384
Others	114,355	100,347
	900,513	428,939
Less allowance for doubtful accounts	(14,519)	(15,249)
	$ 885,994	$ 413,690

NOTES TO FINANCIAL STATEMENTS

9. Property and Equipment, Net

Property and equipment consist of the following as of June 30:

	2014	2013
Land	$ 906,736	$ 829,220
Buildings and improvements	10,033,555	6,264,303
Leasehold improvements	28,525	28,525
Vehicles	150,572	145,772
Furniture, fixtures and equipment	406,333	410,553
Construction in process	25,456	2,484,302
	11,551,177	10,162,675
Less accumulated depreciation	(3,726,389)	(3,305,716)
	$ 7,824,788	$ 6,856,959

Construction in process is stated at cost, which includes the cost of construction and other direct costs. For the year ended June 30, 2014, construction in process is attributable to improvements to the Organization's homeless shelters. For the year ended June 30, 2013, construction in process was attributable to the Organization's rental housing projects, including the Las Abuelitas family housing project (a 12-unit multi-family housing rental complex). No provision for depreciation is made on construction in process until such time as the relevant projects are completed and placed into service.

10. Long-Term Debt

The Organization has a note payable agreement with the City of Tucson dated June 14, 2000 for an original amount of $107,452 for the rehabilitation of the Winstel Apartments, with interest at 2%, collateralized by the related property. The loan requires annual payments of principal and interest of $5,731 which began on June 1, 2010. Beginning on June 1, 2020, the interest shall be forgiven and only annual payments of principal of $3,582 will be required, with a balloon payment for the remaining balance due on May 31, 2030. The amount outstanding as of June 30, 2014 and 2013 totaled $93,458 and $97,259, respectively.

The Organization has a note payable agreement with the City of Tucson dated February 23, 2009 for an amount of up to $153,502, of which a total of $145,923 had been drawn for the rehabilitation of the Las Casitas Apartments, with interest at 2%, collateralized by the related property. The loan requires annual payments of principal and interest of $7,200 to begin on June 1, 2020. A balloon payment for the remaining balance will be due on June 1, 2039. The amount outstanding as of June 30, 2014 and 2013 totaled $145,923.

On December 28, 2012, the Organization executed a development loan agreement with NeighborWorks® Capital with an available amount not to exceed $1,600,000, of which a total of $1,600,000 had been drawn as of June 30, 2014. The proceeds of the loan are to be used for the construction of the Las Abuelitas family housing project. The loan bears interest at a rate of 5.5% per annum, payable quarterly and is collateralized by a first lien deed of trust on various properties, including the project, capital campaign pledges and donations, and cash. Once the Organization has raised $200,000 in capital campaign donations, the loan requires that all additional capital campaign donations be remitted on a quarterly basis to pay the outstanding principal balance of the loan. However, the loan also requires that as of 24 months from the loan's closing date (December 28, 2014), the principal balance must not exceed $400,000. As of June 30, 2013, the Organization had raised $50,317 in

NOTES TO FINANCIAL STATEMENTS

Long-Term Debt (continued)

capital campaign donations which was included in temporarily restricted net assets. As of June 30, 2014, the Organization had raised $551,512 in capital campaign donations and had made principal and interest payments of $467,420, leaving the remaining funds of $84,092 included in temporarily restricted net assets. At June 30, 2013, repayment of the loan could not reasonably be determined; therefore, the full amount of the outstanding balance was reported as long-term debt in the accompanying statements of financial position. At June 30, 2014, per the loan agreement, the principal balance of the loan must not exceed $400,000; therefore, $803,646 of the outstanding balance is included in current maturities of long-term debt on the statements of financial position. A balloon payment for any remaining outstanding balance will be due on March 15, 2016. The total amount outstanding as of June 30, 2014 and 2013 was $1,203,646 and $300,974, respectively.

The Organization has a non-interest bearing note payable agreement with Pima County dated January 1, 2013 for an original amount of $900,000 of which the full amount had been drawn for the construction of the Las Abuelitas family housing project, collateralized by an assignment of beneficial interest under the deed of trust and assignment of rents. The note is subordinated to the NeighborWorks® Capital loan. The loan requires annual principal payments of $22,500 to begin on December 1, 2023. A balloon payment for the remaining outstanding balance will be due on December 31, 2043. The outstanding balance as of June 30, 2014 and 2013 totaled $900,000.

The following is a summary of future principal maturities of long-term as of June 30, 2014:

Fiscal Year Ending	Amount
2015	$ 811,478
2016	404,034
2017	4,114
2018	4,197
2019	4,281
Thereafter	1,114,923
Total	2,343,027
Less current maturities	(811,478)
Long-term portion	$ 1,531,549

11. Notes Payable – Pima County

The Organization has a non-recourse promissory note with Pima County for an original amount of $151,631 that matures on May 26, 2031, for the purpose of maintaining and renting a duplex property to low income households. The promissory note is collateralized by a deed of trust on the related property, and the Organization's liability under the note is limited to the underlying value of the real estate. The promissory note bears no interest and will be forgiven on the maturity date, so long as the Organization remains in compliance with the covenants, terms and provisions of the promissory note. In general, the Organization must rent the duplex to low income households earning at or below 50% of the area median income as determined by the U.S. Department of Housing and Urban Development ("HUD") during a 20 year period, which ends on the maturity date of May 26, 2031.

NOTES TO FINANCIAL STATEMENTS

12. Deferred Revenue

Deferred revenue consists of the following as of June 30:

	2014	2013
Neighborhood Stabilization Program 1	$ 23,102	$ 72,805
Neighborhood Stabilization Program 2	152,050	1,740,337
Other	142,542	195,892
Total	$ 317,694	$ 2,009,034

Through June 30, 2013, the Organization received federal funding for the Neighborhood Stabilization Program 1 (“NSP1”) and Neighborhood Stabilization Program 2 (“NSP2”) in aggregate amounts of $72,805 and $1,740,337, respectively, for the purpose of stabilizing communities that have suffered from foreclosures and abandonment, through the purchase and redevelopment of homes and residential properties. All costs associated with the purchase and renovations and/or construction of homes under NSP1 and NSP2 are capitalized including the Las Abuelitas family housing project. The amounts received from the federal sponsor are deferred until either the home is sold or construction is complete and the project is placed into service as a rental at which point the deferred revenue is recognized as revenue. During 2014, the Organization earned the majority of deferred revenue from NSP1 and NSP2 that had been received in prior years by selling homes or completing construction on projects placed into service as rentals. As of June 30, 2014 and 2013, total Neighborhood Stabilization funds of $175,152 and $1,813,142, respectively, are included in deferred revenue in the accompanying statements of financial position.

Included within the NSP2 deferred revenue of $1,740,337 as of June 30, 2013, Pima County provided the Organization $1,000,000 for the purpose of constructing the Las Abuelitas family housing project, a 12-unit multi-family housing property for rental to low income households. Through June 30, 2014, the $1,000,000 represents the cumulative grant funds received from Pima County. The grant funds are collateralized by a lien on the related property in favor of Pima County, which is limited to the underlying value of the real estate. The lien will be removed at the end of a 30 year affordability period, so long as the Organization remains in compliance with the covenants, terms and provisions of the related funding agreement. In general, the Organization must rent these units to low income households earning a specified percentage of the area median income as determined by HUD during the 30 year period.

NOTES TO FINANCIAL STATEMENTS

13. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30:

	2014	2013
Purpose and Time Restrictions		
Down Payment Assistance to First Time Female Homebuyers	$ 15,000	$ -
Client Incentives – Work Family	4,000	-
Emergency Services	73,702	81,909
Emergency Services – Community Wide Coordinated Intake and Assessment	27,635	167,000
Equal Voice Network – 2014	3,680	83,422
Grant Writer and Facilitator	25,000	-
Homeownership and City of South Tucson Revitalization Programs	-	80,826
Las Abuelitas	84,092	50,317
Men's Shelter Kitchen	42,778	41,778
5 Points Rehabilitation	18,384	4,400
Total	$ 294,271	$ 509,652

14. Permanently Restricted Net Assets

Permanently restricted net assets represent funding received from the NeighborWorks® America Capital Fund and Capital Funding for Rehabilitation for Affordable Housing ("CFRAH") Fund. Permanently restricted net assets consist of the following as of June 30:

	2014	2013
Capital Fund	$ 1,125,000	$ 993,417
CFRAH Fund	445,050	445,050
Total	$ 1,570,050	$ 1,438,467

During 2014 and 2013, the Organization was granted written approval from NeighborWorks® America (based on the Organization's exemplary rating) to convert $68,417 and $102,046, respectively, in permanently restricted funds to unrestricted undesignated funds for uses that support the Organization's mission.

15. Endowment Funds

Endowment net asset composition by type of fund as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	$ 1,968,847	$ -	$ -	$ 1,968,847

NOTES TO FINANCIAL STATEMENTS

Endowment Funds (continued)

Changes in endowment net assets for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2013	$ 1,759,329	$ -	$ -	$ 1,759,329
Investment return:				
Investment income	37,793	-	-	37,793
Net appreciation	271,725	-	-	271,725
Total investment return	309,518	-	-	309,518
Appropriation of endowment funds for expenditure	(100,000)	-	-	(100,000)
Endowment net assets, June 30, 2014	$ 1,968,847	$ -	$ -	$ 1,968,847

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	$ 1,759,329	$ -	$ -	$ 1,759,329

Changes in endowment net assets for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2012	$ 1,540,480	$ -	$ -	$ 1,540,480
Investment return:				
Investment income	41,676	-	-	41,676
Net appreciation	177,173	-	-	177,173
Total investment return	218,849	-	-	218,849
Appropriation of endowment funds for expenditure	-	-	-	-
Endowment net assets, June 30, 2013	$ 1,759,329	$ -	$ -	$ 1,759,329

NOTES TO FINANCIAL STATEMENTS

16. Operating Leases

The Organization leases office equipment, a store front, and a modular office under non-cancelable operating lease agreements. The following is a summary of future minimum lease payments under the non-cancelable operating leases as of June 30, 2014:

Fiscal Year Ending	Amount
2015	$ 74,028
2016	62,254
2017	61,781
2018	58,404
2019	30,881

Rental expense for the years ended June 30, 2014 and 2013 totaled $118,635 and $96,396, respectively.

17. Retirement Plan

The Organization offers a 401(k) plan for its employees. The plan covers employees who complete one year of eligible service. Employees may make contributions to the plan up to the maximum amount allowed by the plan within the limits set forth in the IRC. The Organization may make a discretionary matching contribution, which is determined annually. Employer matching contributions to the plan were $18,153 and $16,719 for the years ended June 30, 2014 and 2013, respectively. Employees are 100% vested after three years of continuous employment.

18. Concentrations of Credit Risk

The Organization derives a significant portion of its revenues and support from governmental grants for various programs. For 2014 and 2013, government grants and contracts accounted for approximately 35% and 41%, respectively, of total revenues and other support. As of June 30, 2014 and 2013, government grants receivable comprised 89% and 98%, respectively, of total receivables. At times, grants for particular programs may constitute a concentration as defined by the accounting standards.

19. Commitments and Contingencies

Funding and Audit Assessments
The Organization participates in a number of federal, state and local grant programs, and a significant reduction in the level of this support, if it were to occur, would have a material effect on the programs and activities of the Organization. The governmental funding is subject to compliance audits by the respective governmental agencies. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable. Certain of the governmental contracts are also subject to termination for convenience clauses. The Organization has received no such termination notices.

Property Use Restriction
In 1995, the Organization was gifted the Women's Housing and Hospitality Home. A gift deed requires property be used solely for purposes of providing short-term transitional housing, daytime shelter and/or other housing uses for women. The gift deed expires automatically if the property ceases to be used for the specific purposes described.

NOTES TO FINANCIAL STATEMENTS

Commitments and Contingencies (continued)

Neighborhood Stabilization Program 2 ("NSP2") Agreement
On April 6, 2010, the Organization entered into a $2,098,500 NSP2 Consortium Funding Agreement, as amended, with Pima County to purchase and construct or rehabilitate 15 dilapidated homes, and construct a 12 unit multi-family complex for low income households in Tucson, Arizona. The funds originate with HUD and are passed through Pima County. Costs are reimbursed as expenses are incurred. Under the terms of the agreement, the Organization is required to expend all the funds for their intended purposes by February 28, 2014. Through June 30, 2013, the Organization had received and expended the entire $2,098,500 under this agreement. As of June 30, 2014, eleven homes were sold and four homes were completed and ready to be sold. In addition, construction of the multi-unit housing complex (Las Abuelitas) was completed and the building was placed into service during fiscal year 2014.

20. Property Liens

The Organization has acquired and constructed real property under various Community Development Block Grants, HOME Program grants, and Neighborhood Stabilization grants. Terms of the grant funds require the Organization to use the facilities for the intended program purpose for the minimum period of time ranging from five to thirty years. Disposition of the property, including non-program use, or failure to meet affordability requirements prior to the minimum period noted would require repayment of the original grant. The estimated amount of liens and their expiration are summarized as follows as of June 30, 2014:

Project	Expiration	Amount
Alamo Apartments	2026	$ 98,600
34th Street Duplex	2032	153,959
Las Abuelitas Apartments	2044	1,000,000
Total		$ 1,252,559

21. Subsequent Events

The Organization evaluated subsequent events through December 16, 2014, which represents the date the financial statements were available to be issued and noted no material subsequent events that required recognition or additional disclosure in these financial statements.

SUPPLEMENTARY SCHEDULES

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Emergency Services	Housing Services	Asset Management	Work Force Development	Home Ownership	Neighborhood Revitalization	Community Engagement	Total Programs	Management and General	Fundraising and Development	Total
Expenses											
Salaries and wages	$ 752,823	$ 246,814	$ 386,040	$ 718,507	$ 319,000	$ 41,259	$ 41,730	$ 2,506,173	$ 738,463	$ 220,722	$ 3,465,358
Employee benefits	131,456	59,612	67,931	128,169	40,817	8,649	8,668	445,302	115,412	37,967	598,681
Total personnel	884,279	306,426	453,971	846,676	359,817	49,908	50,398	2,951,475	853,875	258,689	4,064,039
Professional and outside services	766,619	64,249	380	34,782	9,478	3,055	20,041	898,604	202,818	6,120	1,107,542
Transportation	26,952	7,352	21,949	50,100	1,341	1,008	547	109,249	672	1,451	111,372
Repairs and maintenance	39,470	38,653	947	2,575	1,078	725	135	83,583	1,649	1,047	86,279
Occupancy	127,815	186,822	10,136	20,357	30,455	6,897	5,115	387,597	22,796	6,363	416,756
Equipment	15,659	19,143	1,001	4,822	325	11	781	41,742	2,974	226	44,942
Materials and supplies	61,653	70,712	1,460	23,312	28,384	3,287	40,768	229,576	18,604	51,154	299,334
Operating expenses	83,938	59,229	13,171	49,261	74,427	20,321	11,673	312,020	135,392	40,706	488,118
Fundraising materials	-	85	-	-	-	824	-	909	-	40,968	41,877
Donated meals	303,518	24,822	-	25,533	-	-	-	353,873	-	565	354,438
Bad debt	400	6,437	-	2,700	49,598	-	-	59,135	-	-	59,135
Direct client support	570,143	224,193	-	17,955	6,094	-	-	818,385	-	1,540	819,925
Housing construction costs	-	-	-	-	-	1,167,398	-	1,167,398	-	-	1,167,398
Impairment losses	-	-	6,621	-	-	59,138	-	65,759	-	40,000	105,759
Total expenses before interest and depreciation	2,880,446	1,008,123	509,636	1,078,073	560,997	1,312,572	129,458	7,479,305	1,238,780	448,829	9,166,914
Interest expense	-	19,435	2,918	-	-	22,000	-	44,353	39	-	44,392
Depreciation	61,309	299,034	7,833	10,355	11,418	4,385	1,544	395,878	21,975	6,680	424,533
Total expenses	$ 2,941,755	$ 1,326,592	$ 520,387	$ 1,088,428	$ 572,415	$ 1,338,957	$ 131,002	$ 7,919,536	$ 1,260,794	$ 455,509	$ 9,635,839

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Emergency Services	Housing Services	Asset Management	Work Force Development	Home Ownership	Neighborhood Revitalization	Community Engagement	Total Programs	Management and General	Fundraising and Development	Total
Expenses											
Salaries and wages	$ 599,824	$ 235,136	$ 385,719	$ 710,167	$ 274,635	$ 45,688	$ 48,027	$ 2,299,196	$ 679,213	$ 237,786	$ 3,216,195
Employee benefits	101,525	58,589	65,224	114,267	37,376	7,939	9,207	394,127	107,459	41,970	543,556
Total personnel	701,349	293,725	450,943	824,434	312,011	53,627	57,234	2,693,323	786,672	279,756	3,759,751
Professional and outside services	162,555	52,882	659	35,064	7,106	5,365	49,235	312,866	51,249	15,084	379,199
Transportation	20,485	6,922	20,726	42,321	789	2,259	-	93,502	1,320	2,000	96,822
Repairs and maintenance	25,245	44,036	2,351	12,732	3,762	5,045	428	93,599	2,471	1,935	98,005
Occupancy	114,275	154,302	3,097	19,348	35,474	8,659	5,429	340,584	19,158	4,991	364,733
Equipment	10,154	13,054	694	3,620	572	113	152	28,359	1,278	104	29,741
Materials and supplies	40,688	47,699	2,303	25,704	28,890	6,498	6,103	157,885	19,894	77,229	255,008
Operating expenses	85,398	50,662	12,395	47,223	40,972	14,262	7,132	258,044	52,100	26,260	336,404
Fundraising materials	-	-	-	-	-	-	-	-	-	50,264	50,264
Donated meals	255,884	20,907	-	30,600	-	-	-	307,391	-	-	307,391
Bad debt	-	10,603	-	1,915	-	-	-	12,518	-	-	12,518
Direct client support	527,959	138,300	-	83,237	32,500	-	-	781,996	-	-	781,996
Housing construction costs	-	-	-	-	-	330,250	-	330,250	-	-	330,250
Impairment losses	-	-	-	-	-	-	-	-	-	-	-
Total expenses before interest and depreciation	1,943,992	833,092	493,168	1,126,198	462,076	426,078	125,713	5,410,317	934,142	457,623	6,802,082
Interest expense	-	5,000	-	-	-	1,169	-	6,169	-	-	6,169
Depreciation	92,351	240,490	7,190	21,019	14,087	4,855	1,889	381,881	20,516	6,182	408,579
Total expenses	$ 2,036,343	$ 1,078,582	$ 500,358	$ 1,147,217	$ 476,163	$ 432,102	$ 127,602	$ 5,798,367	$ 954,658	$ 463,805	$ 7,216,830

SCHEDULE OF FINANCIAL POSITION - NEIGHBORWORKS® AMERICA CAPITAL FUND AS OF JUNE 30,

	2014	2013
Assets		
Cash in bank	$ 192,065	$ 139,829
Foreclosure prevention loans - revolving loan funds	163,770	143,451
Real Estate projects		
Property held for development	59,028	-
Property held for sale	-	-
Property and equipment		
Construction in process	-	156,281
Buildings and improvements	710,137	553,856
Total assets	$ 1,125,000	$ 993,417
Liabilities and Net Assets		
Permanently restricted net assets	1,125,000	993,417
Total liabilities and net assets	$ 1,125,000	$ 993,417

SCHEDULE OF ACTIVITIES - NEIGHBORWORKS® AMERICA CAPITAL FUND FOR THE YEAR ENDED JUNE 30,

	2014	2013
Revenue and Support		
Capital Grant - NeighborWorks® America	$ 200,000	$ 75,000
Total revenue and support	200,000	75,000
Expenses and Losses		
Releases from permanently restricted net assets	68,417	102,046
Total expenses and losses	68,417	102,046
Increase (decrease) in permanently restricted net assets	131,583	(27,046)
Permanently restricted net assets, beginning of year	993,417	1,020,463
Permanently restricted net assets, end of year	$ 1,125,000	$ 993,417

During the years ended June 30, 2014 and 2013, no investment income was earned on the net assets of the NeighborWorks® America Capital Fund.

SCHEDULE OF FINANCIAL POSITION - NEIGHBORWORKS® AMERICA CAPITAL FUNDING FOR REHABILITATION OF AFFORDABLE HOUSING (CFRAH) FUND AS OF JUNE 30,

	2014	2013
Assets		
Cash in bank	$ 30,937	$ 17,309
Foreclosure prevention loans - revolving loan funds	-	-
Real Estate projects		
Property held for development	-	-
Property held for sale	30,238	43,866
Property and equipment		
Construction in process	-	-
Buildings and improvements	383,875	383,875
Total assets	$ 445,050	$ 445,050
Liabilities and Net Assets		
Permanently restricted net assets	445,050	445,050
Total liabilities and net assets	$ 445,050	$ 445,050

SCHEDULE OF ACTIVITIES - NEIGHBORWORKS® AMERICA CAPITAL FUNDING FOR REHABILITATION OF AFFORDABLE HOUSING (CFRAH) FUND FOR THE YEAR ENDED JUNE 30,

	2014	2013
Revenue and Support		
CFRAH Grant - NeighborWorks® America	$ -	$ -
Total revenue and support	-	-
Expenses and Losses		
Releases from permanently restricted net assets	-	-
Total expenses and losses	-	-
Increase in permanently restricted net assets	-	-
Permanently restricted net assets, beginning of year	445,050	445,050
Permanently restricted net assets, end of year	$ 445,050	$ 445,050

During the years ended June 30, 2014 and 2013, no investment income was earned on the net assets of the NeighborWorks® America Capital Fund.

NOTES TO SUPPLEMENTARY SCHEDULES

1. Basis of Presentation

The accompanying NeighborWorks® America schedule of financial position and NeighborWorks® America schedule of activities are presented on the accrual basis of accounting.

2. Functional Expenses

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated by other reasonable methods.