FOSTER CARE COALITION OF GREATER ST. LOUIS, INC. D/B/A FOSTER AND ADOPTIVE CARE COALITION

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Foster Care Coalition of Greater St. Louis, Inc.
d/b/a Foster and Adoptive Care Coalition

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SCHMERSAHL TRELOAR & CO.
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Foster Care Coalition of Greater St. Louis, Inc.
d/b/a Foster and Adoptive Care Coalition
St. Louis, Missouri

We have audited the accompanying financial statements of Foster Care Coalition of Greater St. Louis, Inc. d/b/a Foster and Adoptive Care Coalition (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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.

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foster Care Coalition of Greater St. Louis, Inc. d/b/a Foster and Adoptive Care Coalition as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schmersahl Treloar & Co., PC

St. Louis, Missouri
June 9, 2015

FINANCIAL STATEMENTS

Foster Care Coalition of Greater St. Louis, Inc.
d/b/a Foster and Adoptive Care Coalition
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	$ 256,640	$ 391,405
Accounts receivable		
United Way	217,195	217,195
Grants and other	779,937	649,009
Inventory	37,384	43,038
Investments	684,558	682,088
Property and equipment, net	255,554	358,722
Deposits	10,000	10,000
TOTAL ASSETS	$ 2,241,268	$ 2,351,457

LIABILITIES AND NET ASSETS

	December 31, 2014	December 31, 2013
LIABILITIES		
Accounts payable	$ 46,152	$ 35,895
Accrued expenses	28,166	36,395
Deferred rent	37,338	62,166
Total Liabilities	111,656	134,456
NET ASSETS		
Unrestricted	1,085,117	1,072,668
Temporarily restricted	639,495	769,333
Permanently restricted	405,000	375,000
Total Net Assets	2,129,612	2,217,001
TOTAL LIABILITIES AND NET ASSETS	$ 2,241,268	$ 2,351,457

See accompanying notes to financial statements

Foster Care Coalition of Greater St. Louis, Inc.
d/b/a Foster and Adoptive Care Coalition
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Grants	$ 871,396	$ 395,706	$ -	$ 1,267,102
United Way allocation	1,759	217,195	-	218,954
Contributions	514,543	180,000	30,000	724,543
Special events, net of direct expenses of $92,701 and $45,551, respectively	243,816	-	-	243,816
Return on investments	(3,441)	(14,723)	22,874	4,710
Other income	4,150	-	-	4,150
Retail store revenue, net of operating expenses	(46,036)	-	-	(46,036)
Net assets released from restrictions	930,890	(908,016)	(22,874)	-
Total Public Support and Revenue	2,517,077	(129,838)	30,000	2,417,239
EXPENSES				
Program Services				
Recruitment	904,350	-	-	904,350
Retention	1,175,993	-	-	1,175,993
Total Program Services	2,080,343	-	-	2,080,343
Supporting Services				
Management and general	106,919	-	-	106,919
Fundraising	317,366	-	-	317,366
Total Supporting Services	424,285	-	-	424,285
Total Expenses	2,504,628	-	-	2,504,628
CHANGE IN NET ASSETS	12,449	(129,838)	30,000	(87,389)
NET ASSETS, Beginning of year	1,072,668	769,333	375,000	2,217,001
NET ASSETS, End of year	$ 1,085,117	$ 639,495	$ 405,000	$ 2,129,612

See accompanying notes to financial statements

Year Ended December 31, 2013			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 938,494	$ 586,304	$ -	$ 1,524,798
-	217,195	-	217,195
587,603	-	-	587,603
143,863	-	-	143,863
2,125	14,113	38,436	54,674
9,450	-	-	9,450
(39,527)	-	-	(39,527)
709,206	(670,770)	(38,436)	-
2,351,214	146,842	-	2,498,056
887,641	-	-	887,641
1,100,449	-	-	1,100,449
1,988,090	-	-	1,988,090
92,549	-	-	92,549
278,454	-	-	278,454
371,003	-	-	371,003
2,359,093	-	-	2,359,093
(7,879)	146,842	-	138,963
1,080,547	622,491	375,000	1,703,038
$ 1,072,668	$ 769,333	$ 375,000	$ 2,217,001

Foster Care Coalition of Greater St. Louis, Inc.
d/b/a Foster and Adoptive Care Coalition
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	Program Services			Supporting Services			
	Recruitment	Retention	Total	Management and General	Fund-Raising	Total	Total
Salaries and wages	$ 499,463	$ 532,686	$ 1,032,149	$ 61,138	$ 169,899	$ 231,037	$ 1,263,186
Payroll taxes	40,230	42,907	83,137	4,925	13,685	18,610	101,747
Employee benefits	102,180	108,977	211,157	12,507	34,758	47,265	258,422
Total Salaries and Related Expenses	641,873	684,570	1,326,443	78,570	218,342	296,912	1,623,355
Specific assistance to individuals							
Holiday Wishes	-	183,712	183,712	-	-	-	183,712
Little Wishes	-	10,042	10,042	-	-	-	10,042
Professional fees	90,953	117,627	208,580	10,236	39,164	49,400	257,980
Occupancy, including depreciation	85,361	94,568	179,929	10,448	33,586	44,034	223,963
Travel	30,305	8,674	38,979	995	2,767	3,762	42,741
Conferences and meetings	13,836	33,434	47,270	1,695	5,320	7,015	54,285
Printing and publications	11,628	12,403	24,031	1,423	5,105	6,528	30,559
Insurance	9,148	9,756	18,904	1,120	3,112	4,232	23,136
Telephone	9,021	8,390	17,411	963	4,024	4,987	22,398
Supplies	4,884	5,127	10,011	587	3,494	4,081	14,092
Postage and shipping	6,725	7,034	13,759	807	2,244	3,051	16,810
Membership dues	616	656	1,272	75	208	283	1,555
Total Expenses By Function	$ 904,350	$ 1,175,993	$ 2,080,343	$ 106,919	$ 317,366	$ 424,285	$ 2,504,628
Percent of Total Expenses	36.1%	47.0%	83.1%	4.2%	12.7%	16.9%	100.0%

See accompanying notes to financial statements

Foster Care Coalition of Greater St. Louis, Inc.
d/b/a Foster and Adoptive Care Coalition
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

	Program Services			Supporting Services			
	Recruitment	Retention	Total	Management and General	Fund-Raising	Total	Total
Salaries and wages	$ 539,976	$ 497,610	$ 1,037,586	$ 59,162	$ 156,678	$ 215,840	$ 1,253,426
Payroll taxes	41,594	38,330	79,924	4,557	12,069	16,626	96,550
Employee benefits	107,283	98,865	206,148	11,754	31,129	42,883	249,031
Total Salaries and Related Expenses	688,853	634,805	1,323,658	75,473	199,876	275,349	1,599,007
Specific assistance to individuals							
Holiday Wishes	-	212,414	212,414	-	-	-	212,414
Little Wishes	-	16,441	16,441	-	-	-	16,441
Professional fees	37,497	70,772	108,269	3,615	13,535	17,150	125,419
Occupancy, including depreciation	93,686	87,382	181,068	10,264	29,084	39,348	220,416
Travel	36,027	2,320	38,347	270	1,407	1,677	40,024
Conferences and meetings	1,441	33,192	34,633	159	3,491	3,650	38,283
Printing and publications	1,865	17,539	19,404	32	21,200	21,232	40,636
Insurance	8,053	7,421	15,474	882	2,337	3,219	18,693
Telephone	11,295	7,537	18,832	896	3,540	4,436	23,268
Supplies	4,103	6,251	10,354	438	2,607	3,045	13,399
Postage and shipping	4,267	3,865	8,132	459	1,217	1,676	9,808
Membership dues	554	510	1,064	61	160	221	1,285
Total Expenses By Function	$ 887,641	$ 1,100,449	$ 1,988,090	$ 92,549	$ 278,454	$ 371,003	$ 2,359,093
Percent of Total Expenses	37.6%	46.6%	84.2%	3.9%	11.8%	15.7%	100.0%

See accompanying notes to financial statements

Foster Care Coalition of Greater St. Louis, Inc.
d/b/a Foster and Adoptive Care Coalition
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	($ 87,389)	$ 138,963
Adjustments to reconcile change in net assets to net change in cash and cash equivalents from operating activities:		
Depreciation	127,840	128,770
Donated investments	(39,709)	-
Realized and unrealized gain on investments	(4,225)	(53,979)
(Increase) decrease in assets:		
Grants and other receivable	(130,928)	(273,709)
Inventory	5,654	(8,459)
Other assets	-	7,716
Increase (decrease) in liabilities:		
Deferred rent	(24,828)	(24,828)
Accounts payable and accrued expenses	2,028	56,432
Net Change in Cash and Cash Equivalents from Operating Activities	(151,557)	(29,094)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,837,202)	(889,760)
Received from sale of investments	1,878,666	514,140
Purchase of property and equipment	(24,672)	(30,484)
Net Change in Cash and Cash Equivalents from Investing Activities	16,792	(406,104)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(134,765)	(435,198)
CASH AND CASH EQUIVALENTS, Beginning of year	391,405	826,603
CASH AND CASH EQUIVALENTS, End of year	$ 256,640	$ 391,405

See accompanying notes to financial statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Foster Care Coalition of Greater St. Louis, Inc. d/b/a Foster and Adoptive Care Coalition (the "Coalition") is a not-for-profit corporation established in 1985. The Coalition strives to create permanency in every foster child's life by recruiting and supporting foster and adoptive families in the St. Louis metropolitan community. The Coalition works to achieve its mission through programs directed toward recruitment and retention.

Financial Statement Presentation

The financial statements report amounts by classes of net assets, as follows:

Unrestricted Net Assets – are those which have no donor restrictions and are currently available for use by the Coalition.

Temporarily Restricted Net Assets – are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – are those contributed with donor stipulations that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes.

Use of Estimates

The preparation 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 certain reported amounts and disclosures. Accordingly, actual amounts could differ from these estimates.

Concentration of Credit Risk

The Coalition generates receivables and revenues from grant agencies in the normal course of business. The organizations are located throughout the St. Louis metropolitan area. The Coalition does not require collateral to secure receivables from these agencies.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand and short term investments that can be converted into cash within three months or less from time of purchase, including certificates of deposit and money market funds.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and Cash Equivalents *(Continued)*

Cash balances held at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Coalition did not exceed the FDIC insured limit as of December 31, 2014 and 2013, respectively. The Coalition has not experienced and does not anticipate any losses in such accounts.

During 2014 and 2013, for cash flow reporting purposes, no cash payments relating to interest or income tax were made.

Grants and Other Receivable

Grants and other receivable are carried net of allowance for doubtful accounts. The allowance for doubtful accounts is increased by provisions charged to expense and reduced by accounts charged off, net of recoveries. The allowance is maintained at a level considered adequate to provide for potential account losses based on management's evaluation of the anticipated impact on the balance of current economic conditions, changes in the character and size of the balance, past and expected future loss experience and other pertinent factors. No allowance was deemed necessary as of December 31, 2014 and 2013.

Contributions and Grants

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Coalition reports gifts of cash, grants and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. Donor restricted contributions and grants are recorded in the temporarily restricted class for restrictions expiring during the year, and then transferred to the unrestricted class.

Revenue Recognition

Grant and contribution revenues are recognized when the amount is awarded by the donor. The Coalition recognizes membership fees over the membership period. Other revenue is recognized as services are performed.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments

Investments consist of mutual funds, certificates of deposit and various common stocks and are carried at fair value. Investments received as contributions are recorded at the fair value of the investment on the date they were received. The cost of investments approximates fair market value. Return on investment consists of interest, dividends and unrealized and realized gains and losses, and is reported on the Statements of Activities.

Property and Equipment

Property and equipment consists of office equipment and leasehold improvements, which are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Office Equipment	3 years
Leasehold Improvements	6 years

Expenditures for repairs and maintenance are charged to operations as incurred while renewals and betterments of $2,000 or more are capitalized.

Inventory

Inventory, which is sold at the Coalition's [RE]FRESH and Kidstore facilities, consists of donated clothing items and are valued at the average historical sales price of similar items.

In-Kind Services

The Coalition received donated inventory, which was reflected as revenue during the years ended December 31, 2014 and 2013.

The Coalition also received in-kind advertising for Little Wishes and other programs from KSDK Television Station for the years ended December 31, 2014 and 2013. Since the Coalition was not provided information from the donor, it is unable to record the value of this donated service.

The Coalition also receives assistance from many volunteers donating their time and performing a variety of tasks that assist the Coalition in its programs and general operations. Since donated time for these types of volunteer services is undeterminable, the Coalition is unable to record the value of these donated services.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Functional Expenses

Functional expenses have been allocated between program services and supporting services based primarily on an analysis of personnel time. In addition, other costs are directly and indirectly allocated among the programs and supporting services benefited based on management's estimates.

Financial Instruments

The carrying amount of accounts receivable, accounts payable and accrued expenses approximates fair value due to the short-term maturities of these instruments.

Significant Funding

The Coalition received $1,196,517 and $1,203,211 of its support, respectively, for the years ended December 31, 2014 and 2013 from five funders: St. Louis County Children's Service Fund, St. Louis Mental Health Board, Missouri Coalition for Children's Agencies, Area Resources for Community & Human Services, and the United Way of Greater St. Louis. The current level of the Coalition's operations and program services may be impacted if the funding is altered from one or more of these funders.

Income Tax

The Coalition qualifies as a nonprofit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Coalition does not have unrelated business income, excise taxes, or activities that would threaten the Coalition's tax-exempt status. Accordingly, no provision for federal or state income taxes is provided for the years ending December 31, 2014 and 2013. The Coalition files an information return, the IRS Form 990. The Coalition's tax returns for the years 2011 and later remain subject to examination by taxing authorities.

The Coalition follows the provisions of uncertain tax positions as addressed by the Financial Accounting Standards Board and management is not aware of any uncertain tax positions of the Company related to the tax filings.

Subsequent Events

In preparing these financial statements, the Coalition has evaluated events and transactions for potential recognition or disclosure through June 9, 2015, the date the financial statements were available to be issued.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Reclassification

Certain prior period amounts have been reclassified to conform to the current year's presentation.

B. INVESTMENTS

The Coalition's investment holdings at December 31, 2014 are summarized as follows:

	Cost	Fair Value
Exchange Traded Funds (ETF)	$529,958	$538,129
Money market accounts	137,038	137,038
Common stocks	9,167	9,391
Total Investments	$676,163	$684,558

The Coalition's investment holdings at December 31, 2013 are summarized as follows:

	Cost	Fair Value
Mutual Funds	$504,579	$539,017
Money market accounts	136,490	136,490
Common stocks	5,114	6,581
Total Investments	$646,183	$682,088

The Coalition's investment income as reported on the statements of activities consists of the following:

	December 31, 2014	December 31, 2013
Interest and dividends	$ 485	$ 695
Unrealized and realized gain on investments	4,225	53,979
Total Investment Income	$4,710	$54,674

C. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2014				
Exchange Traded Funds (ETF)	$538,129	$538,129	$ -	$ -
Money market accounts	137,038	137,038	-	-
Stocks	9,391	9,391	-	-
Total	$684,558	$684,558	$ -	$ -
December 31, 2013				
Mutual funds	$539,017	$539,017		
Money market accounts	136,490	136,490	$ -	$ -
Stocks	6,581	6,581	-	-
Total	$682,088	$682,088	$ -	$ -

Financial assets valued using Level 1 inputs are based on quoted market prices within active markets, such as exchange-traded securities. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Examples of Level 2 include U.S. Treasury securities, corporate and municipal bonds, and mortgage backed securities. Financial assets valued using Level 3 inputs are based primarily on assumptions about the marketability of the assets and can include corporate loans, mortgage loans, distressed debt, and investments in real estate funds. The Coalition has no Level 2 or Level 3 assets.

D. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2014	2013
Office Equipment	$176,244	$157,641
Leasehold Improvements	568,982	562,913
Less: accumulated depreciation	(489,672)	(361,832)
Property and Equipment, net	$255,554	$358,722

D. **PROPERTY AND EQUIPMENT** *(Continued)*

Depreciation expense was $127,840 and $128,770 for the years ended December 31, 2014 and 2013, respectively.

E. **GRANTS AND OTHER RECEIVABLES**

Grants and other receivables consist of the following at December 31:

	2014	2013
Area Resources for Community & Human Services	$269,303	$133,324
30 Days to Family	120,000	-
Bank of America	-	200,000
Dave Thomas Foundation for Adoption	70,000	70,000
Emerson	-	15,000
Illinois DCFS	14,000	14,000
Little Wishes	94,275	-
Norman Stupp Foundation	10,000	-
St. Louis Mental Health Board	147,300	147,600
St. Louis County Children's Service Fund	38,449	34,483
Schnuck's Market	-	5,000
Other receivables	16,610	29,602
Total Grants and Other Receivables	$779,937	$649,009

F. **NET ASSETS**

In 2014, the Coalition received a $30,000 contribution to create the DJ Welch Little Wishes Fund. This gift will be held in perpetuity to fund the ongoing needs of the Coalition.

In 2012, the Coalition received a contribution from Carleen Goddard-Mazur's estate with the purpose of creating the Carleen Goddard-Mazur Training Institute (the "Institute"). A portion of the contribution, $125,000, was to be used to create the Institute over a two year period from 2012 - 2014. The entire amount of this contribution was spent by the end of the two year period. The remaining amount of the contribution, $375,000, is to be held in perpetuity to fund the operational needs of the Institute.

In 2010, multiple donors provided contributions to fund the construction of the new office space and store. The contribution amounts were recorded as temporarily restricted support and revenue based upon the donor-imposed restriction; at the time the monies are used for the construction, such amounts will be reclassified to unrestricted net assets.

F. NET ASSETS *(Continued)*

Net assets are comprised of the following at December 31:

	2014	2013
Unrestricted	$1,085,117	$1,072,668
Temporarily Restricted – Timing		
Dave Thomas Foundation	70,000	70,000
United Way	217,195	217,195
Temporarily Restricted - Purpose		
30 Days to Family	120,000	25,000
Capital facilities	-	20,000
Goddard Institute	60,700	128,538
Recruitment and retention	171,600	308,600
Total Temporarily Restricted	639,495	769,333
Permanently Restricted		
Goddard Institute	375,000	375,000
DJ Welch Little Wishes Fund	30,000	-
Total Permanently Restricted	405,000	375,000
Total Net Assets	$2,129,612	$2,217,001

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows during the years ended December 31:

	2014	2013
Temporarily Restricted – Timing		
Dave Thomas Foundation	$ 70,000	$ 70,000
United Way	217,195	211,195
Temporarily Restricted - Purpose		
30 Days to Family	50,000	-
Capital facilities	20,000	20,000
Goddard Institute	75,989	49,011
Recruitment and retention	497,706	359,000
	$930,890	$709,206
Permanently Restricted - Purpose		
Goddard Institute	$ 22,874	$ 38,436

G. ENDOWMENT

The endowment consists of two individual donor-restricted funds. In accordance with U.S. Generally Accepted Accounting Principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment balances are included in cash and investments in the Statements of Financial Position. The permanently restricted endowment balance includes the original value at the date of the gift.

The Board of Directors of the Coalition has interpreted the Missouri Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of donor restricted endowments, absent explicit donor stipulations to the contrary, at the greater of the fair value of the original gifts as of the gift date. As a result of this interpretation, the Coalition 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 according to the directive in the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment 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 Coalition in a manner consistent with the standard of prudence described by UPMIFA. In accordance with UPMIFA, the Coalition considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic condition, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) other resources of the Coalition, and (7) the Coalition's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies
The Coalition has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

G. **ENDOWMENT** *(Continued)*

Spending Policy

Endowment spending distributions are designed to stabilize annual spending levels and preserve the real value of the endowment over time. Under the policy, earnings of the Endowment are distributed at a rate set annually by the Finance Committee. The Finance Committee also considers the provisions of UPMIFA in determining the amount to appropriate. The annual spending rate must fall within the range of 3.0% to 8.0% of the five-year average of the Endowment Fund's market value as measured at December 31 of each year. The spending rate is funded from current earnings and, in years when current earnings are insufficient, from previously accumulated earnings of the Endowment Fund. In years in which current and previously accumulated earnings are insufficient to fund the distribution rate established by the Finance Committee, principal may be invaded at the maximum rate of 5% of the five-year average of the Endowment Fund's market value.

For the year ended December 31, 2014, the Coalition had the following endowment-related activities:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets: December 31, 2013	$128,538	$375,000	$503,538
Net investment return	(14,723)	22,874	8,151
Contributions	-	30,000	30,000
Appropriation of endowment assets for expenditure	(75,989)	-	(75,989)
Released from restriction	22,874	(22,874)	-
Endowment net assets: December 31, 2014	$ 60,700	$405,000	$465,700

During the year ended December 31, 2014, the Finance Committee appropriated $12,403 of endowment earnings to be spent on expenses related to the Carleen Goddard-Mazur Training Institute. This amount was not expended as of December 31, 2014 and is included in temporarily restricted net assets.

G. ENDOWMENT *(Continued)*

For the year ended December 31, 2013, the Coalition had the following endowment-related activities:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets: December 31, 2012	$125,000	$375,000	$500,000
Net investment return	14,113	38,436	52,549
Contributions	-	-	-
Appropriation of endowment assets for expenditure	(49,011)	-	(49,011)
Released from restriction	38,436	(38,436)	-
Endowment net assets: December 31, 2013	$128,538	$375,000	$503,538

H. RETAIL STORE REVENUE

The Coalition operates two resale stores, [RE]FRESH and the Kidstore. [RE]FRESH collects donated clothing and accessories from the general public for the primary purpose of raising funds to support the Coalition's mission. The Kidstore collects donated clothing, accessories, and children's items from the general public and sells them at discounted prices exclusively to foster families. Retail store revenue is reported net of discounts. Income and expenses for the resale stores were the following for the years ended December 31:

	2014	2013
Sales	$101,435	$ 70,108
Clothing donations	125,599	89,523
Cost of sales	(131,866)	(81,268)
Gross profit	95,168	78,363
Operating expenses	(141,204)	(117,890)
Retail store revenues, net of operating expenses	($ 46,036)	($ 39,527)

I. LEASE COMMITMENTS

The Coalition has an oral agreement with a church for space for the KidStore facility. Payments are $200 per month and rent expense was $2,400 for the years ended December 31, 2014 and 2013.

In May 2010, the Coalition entered into a new building lease agreement. The term of the lease is six years, two months and included 14 months of rent subsidies. The Coalition has deferred rent in the amount of $37,338 and $62,166 at December 31, 2014 and 2013, respectively, and will recognize it over life of the lease. Future minimum rental payments to be paid on this operating lease are summarized below:

Year	Amount
2015	$146,723
2016	74,373
	$221,096

Rent expense for the years ended December 31, 2014 and 2013 was $124,069 and $121,661, respectively.