

**MARIAN HOUSE, INC.
FINANCIAL STATEMENTS
June 30, 2014 and 2013**

MARIAN HOUSE, INC.
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June 30, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Marian House, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Marian House, Inc. (Organization) (a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITORS' REPORT, CONTINUED

We believe 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 the Organization as of June 30, 2014 and 2013, and the change 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 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 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.

Ellin & Tucker, Chartered

ELLIN & TUCKER, CHARTERED
Certified Public Accountants

Baltimore, Maryland
October 31, 2014

MARIAN HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

<u>ASSETS</u>		
	2014	2013
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 764,824	\$ 642,493
Restricted Cash (Note 2)	16,785	27,025
Investments (Note 3)	1,665,435	1,487,941
Fees Receivable	198,709	230,443
Grant and Other Receivables, Net of Allowance for Doubtful Accounts of \$1,500	36,380	141,580
Prepaid Expenses	27,357	17,254
Other Assets	75,901	48,303
Property and Equipment, Net (Note 4)	2,972,288	3,016,829
Total Assets	\$ 5,757,679	\$ 5,611,868
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 127,233	\$ 129,690
Deferred Revenue	66,571	6,163
Security Deposits and Funds Held for Residents	16,785	27,025
Total Liabilities	210,589	162,878
<u>NET ASSETS (Note 5):</u>		
<u>Unrestricted:</u>		
Undesignated Net Assets	4,567,775	4,508,486
Board Designated Net Assets	637,295	629,168
	5,205,070	5,137,654
Temporarily Restricted	322,175	291,491
Permanently Restricted	19,845	19,845
Total Net Assets	5,547,090	5,448,990
Total Liabilities and Net Assets	\$ 5,757,679	\$ 5,611,868

(See Independent Auditors' Report and Accompanying Notes)

MARIAN HOUSE, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT:								
Contributions and Non-Government Grants	\$ 284,351	\$ 501,995	\$ -	\$ 786,346	\$ 540,712	\$ 241,491	\$ -	\$ 782,203
Fees and Grants from Federal Government Sources	1,382,958	-	-	1,382,958	1,207,984	-	-	1,207,984
Fees and Grants from Non-Federal Government Sources	436,250	-	-	436,250	535,849	-	-	535,849
Serenity Place Management Fees (Note 7)	16,984	-	-	16,984	16,630	-	-	16,630
Resident Fees	158,963	-	-	158,963	142,026	-	-	142,026
Special Events, Net of Direct Expenses of \$29,140 and \$34,911	74,173	-	-	74,173	37,991	-	-	37,991
Other	1,401	-	-	1,401	237	-	-	237
	<u>2,355,080</u>	<u>501,995</u>	<u>-</u>	<u>2,857,075</u>	<u>2,481,429</u>	<u>241,491</u>	<u>-</u>	<u>2,722,920</u>
Net Assets Released from Restrictions	471,311	(471,311)	-	-	295,861	(295,861)	-	-
	<u>2,826,391</u>	<u>30,684</u>	<u>-</u>	<u>2,857,075</u>	<u>2,777,290</u>	<u>(54,370)</u>	<u>-</u>	<u>2,722,920</u>
EXPENSES:								
Program	2,469,968	-	-	2,469,968	2,083,631	-	-	2,083,631
General and Administrative	253,232	-	-	253,232	225,894	-	-	225,894
Fundraising	214,082	-	-	214,082	227,696	-	-	227,696
	<u>2,937,282</u>	<u>-</u>	<u>-</u>	<u>2,937,282</u>	<u>2,537,221</u>	<u>-</u>	<u>-</u>	<u>2,537,221</u>
Change in Net Assets before Investment Income	(110,891)	30,684	-	(80,207)	240,069	(54,370)	-	185,699
INVESTMENT INCOME, NET OF INVESTMENT FEES OF \$15,935 AND \$15,009	24,942	-	-	24,942	27,652	-	-	27,652
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	153,365	-	-	153,365	27,107	-	-	27,107
Change in Net Assets	67,416	30,684	-	98,100	294,828	(54,370)	-	240,458
NET ASSETS - BEGINNING OF YEAR	<u>5,137,654</u>	<u>291,491</u>	<u>19,845</u>	<u>5,448,990</u>	<u>4,842,826</u>	<u>345,861</u>	<u>19,845</u>	<u>5,208,532</u>
NET ASSETS - END OF YEAR	<u>\$ 5,205,070</u>	<u>\$ 322,175</u>	<u>\$ 19,845</u>	<u>\$ 5,547,090</u>	<u>\$ 5,137,654</u>	<u>\$ 291,491</u>	<u>\$ 19,845</u>	<u>\$ 5,448,990</u>

(See Independent Auditors' Report and Accompanying Notes)

MARIAN HOUSE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2014 and 2013

	Program Services		Supporting Services				Total Expenses			
			General and Administrative		Fundraising		Total Supporting Services			
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Salaries	\$ 772,370	\$ 739,038	\$ 149,148	\$ 135,620	\$ 159,619	\$ 154,422	\$ 308,767	\$ 290,042	\$ 1,081,137	\$ 1,029,080
Payroll Taxes and Employee Benefits	157,283	142,457	24,253	18,096	28,563	22,652	52,816	40,748	210,099	183,205
Total Salaries and Related Expenses	929,653	881,495	173,401	153,716	188,182	177,074	361,583	330,790	1,291,236	1,212,285
Bank Fees	1,150	774	4,652	3,533	173	85	4,825	3,618	5,975	4,392
Contractual Services	24,087	46,234	4,590	4,962	6,364	17,897	10,954	22,859	35,041	69,093
Education	27,849	21,076	-	623	2,247	500	2,247	1,123	30,096	22,199
Food	55,799	53,802	-	-	-	-	-	-	55,799	53,802
Household Supplies	10,851	11,281	-	-	-	-	-	-	10,851	11,281
Insurance	43,785	34,092	5,328	4,563	1,528	1,473	6,856	6,036	50,641	40,128
Medical Supplies	27,500	29,267	-	-	62	25	62	25	27,562	29,292
Meetings	3,028	1,684	4,354	3,294	147	781	4,501	4,075	7,529	5,759
Miscellaneous	3,921	1,738	2,257	2,679	206	5,502	2,463	8,181	6,384	9,919
Office Expense	6,789	7,960	3,283	4,348	398	1,476	3,681	5,824	10,470	13,784
Personal Resident Expenses	6,283	4,899	-	-	-	-	-	-	6,283	4,899
Postage	600	240	561	1,334	3,290	4,920	3,851	6,254	4,451	6,494
Printing	-	602	-	230	8,630	15,389	8,630	15,619	8,630	16,221
Professional Fees	5,625	4,903	27,288	19,322	-	-	27,288	19,322	32,913	24,225
Rent	871,474	668,759	-	-	-	-	-	-	871,474	668,759
Repairs and Maintenance	241,402	106,184	2,448	2,031	1,773	750	4,221	2,781	245,623	108,965
Telephone and Cable	13,253	15,474	726	726	-	-	726	726	13,979	16,200
Transportation	9,138	9,417	335	714	125	871	460	1,585	9,598	11,002
Utilities	62,268	63,284	4,833	4,979	-	-	4,833	4,979	67,101	68,263
Water	17,056	12,405	994	724	-	-	994	724	18,050	13,129
Total Expenses before Depreciation of Property and Equipment	2,361,511	1,975,570	235,050	207,778	213,125	226,743	448,175	434,521	2,809,686	2,410,091
Depreciation	108,457	108,061	18,182	18,116	957	953	19,139	19,069	127,596	127,130
Total Expenses	\$ 2,469,968	\$ 2,083,631	\$ 253,232	\$ 225,894	\$ 214,082	\$ 227,696	\$ 467,314	\$ 453,590	\$ 2,937,282	\$ 2,537,221
Percentage to Total	84.1%	82.1%	8.6%	8.9%	7.3%	9.0%	15.9%	17.9%	100.0%	100.0%

(See Independent Auditors' Report and Accompanying Notes)

MARIAN HOUSE, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 98,100	\$ 240,458
<u>Adjustments to Reconcile Change in Net Assets to</u>		
<u>Net Cash Provided by Operating Activities:</u>		
Depreciation	127,596	127,130
Net Realized and Unrealized Gain on Investments	(153,365)	(27,107)
<u>Decrease (Increase) in Assets:</u>		
Fees Receivable	31,734	63,751
Grant and Other Receivables	105,200	(31,093)
Prepaid Expenses	(10,103)	(7,643)
Other Current Assets	(27,598)	(22,299)
<u>Increase (Decrease) in Liabilities:</u>		
Accounts Payable and Accrued Expenses	(2,457)	27,027
Deferred Revenue	60,408	(35,151)
	<u>229,515</u>	<u>335,073</u>
Net Cash Provided by Operating Activities		
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Property and Equipment	(83,055)	(31,128)
Purchase of Investments	(698,533)	(740,575)
Proceeds from Sales of Investments	674,404	712,987
	<u>(107,184)</u>	<u>(58,716)</u>
Net Cash Used in Investing Activities		
Net Change in Cash and Cash Equivalents	122,331	276,357
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>642,493</u>	<u>366,136</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 764,824</u>	<u>\$ 642,493</u>

(See Independent Auditors' Report and Accompanying Notes)

MARIAN HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Marian House, Inc. (Organization) is a not-for-profit voluntary health and welfare organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, whose mission is to provide support for women in crisis. The Organization was started as a joint project by the School Sisters of Notre Dame and the Sisters of Mercy. The Organization provides residential housing, counseling, education, and employment programs for homeless women in the Baltimore Metropolitan area.

Population Served

Marian House serves homeless women and families of all races, colors, and creeds who have the potential to move from dependence to independence. The histories of these women routinely include any or all of the following elements: childhood sexual abuse, domestic violence, rape, chemical addiction, chronic mental illness, and incarceration.

Program Services

Marian House I, the transitional 4-to 8-month residential program, provides shelter; daily living assistance; personal counseling; job readiness training; basic educational opportunities, including GED mentoring; drug/alcohol screening; a financial assistance and savings program; and a supportive, orderly and loving home.

Marian House II, the follow-up program, offers transitional homes for women and children; personal counseling; career counseling; mentoring; workshops in self-development, career advancement, etc.; scholarship aid; and assistance in obtaining permanent housing.

Marian House III offers eligible residents leaving the Marian House I or Marian House II programs, subsidized permanent housing through the HUD Shelter Plus Care Program (S+C). S+C provides housing and case management focused on service plans that include receiving supportive services, as needed, and setting and monitoring short- and long-term goals to accomplish Marian House's mission of "moving women from dependence to independence." Under the Marian House III program, the Organization enters into short-term operating leases for residential housing to provide permanent housing for eligible residents. Total rent expense under these operating leases was \$695,677 and \$531,155 for the years ended June 30, 2014 and 2013, respectively. The Organization also manages a 19-unit low income project named Serenity Place, which provides permanent housing to the Marian House III program. The Organization prorate the fee Marian House II and III residents pay based on their financial situation, using state and local funding source guidelines. The S+C grants function as housing subsidies to supplement the amount paid by the residents. Fee income from Marian

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MARIAN HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

House II and III residents (other than Serenity Place) was \$92,190 and \$105,989 for the years ended June 30, 2014 and 2013, respectively, and is included in the Statements of Activities as resident fees.

Accounting Standards Codification

All references in the financial statements to the Codification refer to the Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (GAAP) issued by the Financial Accounting Standards Board. The Codification is the single source of authoritative GAAP in the United States.

Basis of Presentation

The financial statements of the Organization are presented on the accrual basis of accounting and in accordance with the Presentation of Financial Statements for Not-For-Profit Entities Topic of the Codification. As required by the Codification, the accompanying financial statements present balances consistent with the existence or absence of donor-imposed restrictions. All balances have been classified in the following categories of net assets:

- (a) Unrestricted net assets, which result from support and revenue not subject to donor-imposed restrictions
- (b) Temporarily restricted net assets, which result from support and revenue whose use by the Organization is limited by donor-imposed restrictions that either expire with the passage of time or can be fulfilled and thereby removed by the actions of the Organization pursuant to those restrictions
- (c) Permanently restricted net assets, which result from support and revenue whose use by the Organization is limited by donor-imposed restrictions that cannot be removed either by the passage of time or by the actions of the Organization

Support and Expenses

The Organization prepares its financial statements in accordance with the Presentation of Financial Statements for Not-For-Profit Entities and the Revenue Recognition for Not-For-Profit Entities Topics of the Codification. As such, contributions received and unconditional promises to give are measured at their fair values and 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 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

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MARIAN HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

assets and reported in the Statements of Activities as net assets released from restrictions.

Permanently restricted net assets are restricted to investments in perpetuity. The income or loss in excess of donor-imposed restrictions from these investments is included as unrestricted net assets.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

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 revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Cash and Cash Equivalents

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization believes it is not exposed to any significant credit risk on cash. The Organization considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

Investments

Investments are stated at fair value. Changes in the fair value are recorded as unrealized gains and losses, which are reflected in the Statements of Activities during the periods in which the changes occur. Realized gains and losses are also reflected in the Statements of Activities during the period when the investments are sold. See Note 3 for a discussion of fair value measurements.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Expenditures for property and equipment in excess of \$5,000 are capitalized. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets.

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MARIAN HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has determined the Organization is not a private foundation within the meaning of Section 509(a) of the Code.

The Organization follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. The Codification requires the evaluation of tax positions, which include maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions which do not meet a “more-likely-than-not” threshold of being sustained by the applicable tax authority. Management does not believe it has taken any tax positions that would not meet this threshold.

The Organization files federal and state information returns and is no longer subject to income tax examinations by major tax authorities for tax years prior to .

Donated Services

A substantial number of volunteers have donated significant amounts of time to the Organization. No amounts are recognized in the accompanying Statements of Activities, since the services do not meet the criteria for recognition.

Risks and Uncertainties

The Organization invests in various investment securities, which are exposed to various risks, such as interest rate, credit and overall volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the Statements of Financial Position.

Subsequent Events

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 31, 2014, the date the financial statements were available to be issued.

2. RESTRICTED CASH

The Organization holds resident funds, which are returned to the residents upon completion of the program.

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MARIAN HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

3. INVESTMENTS

Cost and market values of investments at June 30, 2014 and 2013 are as follows:

	2014		2013	
	Cost	Market	Cost	Market
Investments	<u>\$ 1,504,840</u>	<u>\$ 1,665,435</u>	<u>\$1,407,404</u>	<u>\$ 1,487,941</u>

Investments consisted of the following:

	2014	2013
Cash and Cash Equivalents	\$ 43,983	\$ 26,920
Mutual Funds	579,646	413,088
Equity Securities	461,360	306,035
Corporate Bonds	365,872	460,241
U.S. Government and Agency Securities	214,574	281,657
	<u>\$ 1,665,435</u>	<u>\$ 1,487,941</u>

The Fair Value Measurements and Disclosures Topic of the Codification establishes a hierarchal disclosure framework, which prioritizes and ranks the level of market price observability used in measuring investments and other financial instruments at fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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MARIAN HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Mutual Funds: Valued at the net asset value (NAV) of shares held at year end. NAV is a quoted price in an active market.

Equity Securities: Valued at quoted prices in an active market.

U.S. Government and Agency Securities and Corporate Bonds: Valued using inputs, such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following sets forth by level, within the fair value hierarchy, the Organization's investments for the years ended June 30, 2014 and 2013:

	2014		Total
	Level 1	Level 2	
Cash and Cash Equivalents	\$ 43,983	\$ -	\$ 43,983
<u>Mutual Funds:</u>			
Emerging Markets	64,475	-	64,475
Fixed Income	379,720	-	379,720
International	135,451	-	135,451
	<u>579,646</u>	<u>-</u>	<u>579,646</u>

(See Independent Auditors' Report)

MARIAN HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

	2014		
	Level 1	Level 2	Total
<u>Equity Securities:</u>			
Consumer Discretionary	37,748	-	37,748
Consumer Staples	17,207	-	17,207
Energy	24,300	-	24,300
Financial	167,940	-	167,940
Health Care	22,719	-	22,719
Industrials	24,148	-	24,148
Information Technology	63,514	-	63,514
Materials	8,143	-	8,143
Telecommunications	2,447	-	2,447
Utilities	9,727	-	9,727
Equities Blend	83,467	-	83,467
	461,360	-	461,360
<u>Fixed Income:</u>			
Corporate Bonds	-	365,872	365,872
U.S. Agency Securities	157,743	-	157,743
U.S. Treasury Securities	56,831	-	56,831
	214,574	365,872	580,446
Investments, at Fair Value	\$1,299,563	\$365,872	\$1,665,435
	2013		
	Level 1	Level 2	Total
Cash and Cash Equivalents	\$ 26,920	-	\$ 26,920
<u>Mutual Funds:</u>			
Emerging Markets	54,159	-	54,159
Fixed Income	252,635	-	252,635
International	106,294	-	106,294
	413,088	-	413,088
<u>Equity Securities:</u>			
Consumer Discretionary	27,064	-	27,064
Consumer Staples	21,130	-	21,130
Energy	16,824	-	16,824
Financial	137,825	-	137,825
Health Care	21,898	-	21,898

(See Independent Auditors' Report)

MARIAN HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

	2013		Total
	Level 1	Level 2	
Industrials	20,225	-	20,225
Information Technology	50,404	-	50,404
Materials	5,951	-	5,951
Telecommunications	4,714	-	4,714
	<u>306,035</u>	<u>-</u>	<u>306,035</u>
Fixed Income:			
Corporate Bonds	-	460,241	460,241
U.S. Agency Securities	91,771	-	91,771
U.S. Treasury Securities	189,886	-	189,886
	<u>281,657</u>	<u>460,241</u>	<u>741,898</u>
Investments, at Fair Value	<u>\$1,027,700</u>	<u>\$460,241</u>	<u>\$ 1,487,941</u>

4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 21,326	\$ 21,326
Building and Building Improvements	4,540,831	4,479,791
Furniture, Fixtures and Equipment	307,944	285,928
Vehicles	29,097	29,097
	<u>4,899,198</u>	<u>4,816,142</u>
Less: Accumulated Depreciation and Amortization	<u>1,926,910</u>	<u>1,799,313</u>
Property and Equipment, Net	<u>\$ 2,972,288</u>	<u>\$ 3,016,829</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$127,596 and \$127,130, respectively.

(See Independent Auditors' Report)

MARIAN HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. NET ASSETS

Board Designated Funds

The Board of Directors has established three separate reserve funds to help plan for the future. These are the Capital Replacement Reserve Fund, Alumnae Education Fund and Fund for Strategic and Organizational Advancement.

The Capital Replacement Reserve Fund has been established for anticipated capital replacement costs. A committee of the Board of Directors reviews the needs of the program and the condition of the facilities and makes recommendations to the Board.

The Alumnae Education Fund has been established to provide assistance to alumnae of the Marian House program who wish to pursue their education. A committee of the Board of Directors reviews the status of the fund and may allocate specific amounts that can be used for education of former residents.

The Fund for Strategic and Organizational Advancement has been established to provide funding to future strategic and organizational advancement projects. A committee of the Board of Directors reviews the status of the fund and may allocate specific amounts that can be used for these programs and projects.

The Board, on a two-thirds majority vote, may undesignate any previously Board Designated funds for use by the Organization for any purpose.

The following is a summary of the Board designated funds:

	<u>Capital Replacement Reserve Fund</u>	<u>Alumnae Education Fund</u>	<u>Fund for Strategic and Organizational Advancement</u>	<u>Total</u>
Balance at June 30, 2012	\$ 332,251	\$ 61,527	\$ 212,364	\$ 606,142
Investment Income Allocation	<u>12,222</u>	<u>2,992</u>	<u>7,812</u>	<u>23,026</u>
Balance at June 30, 2013	344,473	64,519	220,176	629,168
Transfers	-	-	(61,040)	(61,040)
Investment Income Allocation	<u>40,523</u>	<u>9,924</u>	<u>18,720</u>	<u>69,167</u>
Balance at June 30, 2014	<u>\$ 384,996</u>	<u>\$ 74,443</u>	<u>\$ 177,856</u>	<u>\$ 637,295</u>

(See Independent Auditors' Report)

MARIAN HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Permanently Restricted Net Assets

The Organization's permanent endowment consists of donor restricted funds established to provide a source of income to the programs of the Organization. Permanently restricted net assets represent two separate endowment funds. The first endowment fund was established by a memorial in the name of Asta F. Gauvey. The second endowment fund was established to commemorate Sr. Augusta Reilly, RSM, former executive director of Marian House, Inc. The funds allow for the spending of the investment income at the discretion of management for the education of current or former residents.

6. RETIREMENT AND EMPLOYEE SAVINGS PLAN

The Organization participates in a tax deferred annuity plan under Internal Revenue Code Section 403(b) through the Christian Brothers' 403(b) plan. Participants may elect to contribute to the Christian Brothers' 403(b) plan up to amounts prescribed by Internal Revenue Code Sections 403(b), 403(g), and 415. The Organization contributes an amount equal to 5% of employees' eligible compensation to the Plan for those employees who have completed a year of service and work a minimum of 24 hours per week. The Organization contributed \$42,169 and \$37,385 for the years ended June 30, 2014 and 2013, respectively.

The Organization also makes discretionary retirement savings contributions of 12.65% of religious-affiliated employees' eligible compensation. This is due to religious-affiliated employees not being eligible for social security and Medicare benefits or being able to participate in the Christian Brothers' 403(b) plan. The Organization contributed \$12,384 and \$11,073 for the years ended June 30, 2014 and 2013, respectively.

7. SERENITY PLACE

As discussed in Note 1, the Organization manages Serenity Place under a management agreement with Marian House II Limited Partnership (MHLP). The Organization indirectly owns .003% of MHLP. The Organization receives reimbursements for certain expenses and a management fee based on rents collected.

(See Independent Auditors' Report)