

**Animal Friends, Inc.**  
562 Camp Horne Road  
Pittsburgh, PA 15237

**FINANCIAL REPORT**

December 31, 2013 AND 2012

INDEX

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## **Independent Auditor's Report**

To the Board of Directors  
of Animal Friends, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Animal Friends, Inc., which comprise the balance sheet as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Friends, Inc., as of December 31, 2013, and the results of its activities, the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Animal Friends, Inc.'s 2012 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 22, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent in all material respects, with the audited financial statements from which it has been derived.

Pittsburgh, PA  
July 21, 2014

# ANIMAL FRIENDS, INC.

## BALANCE SHEET

DECEMBER 31, 2013

WITH SUMMARIZED INFORMATION AT DECEMBER 31, 2012

	2013			2012	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 866,686	\$ 69,249	\$ 0	\$ 935,935	\$ 853,974
Investments (Note 2)	368,689	410,427	2,558,497	3,337,613	3,336,530
Receivables (Note 3)	17,227	960,000	242,020	1,219,247	398,247
Inventory	76,073	0	0	76,073	74,043
Prepaid Expenses	66,873	0	0	66,873	107,842
Property, Plant and Equipment - Net (Note 4)	6,661,538	0	0	6,661,538	6,283,973
Other Assets (Note 5)	1,218,588	0	0	1,218,588	1,526,656
Deposit	0	0	0	0	20,000
Bond Issue Costs	80,500	0	0	80,500	87,500
Assets Held In Trust (Note 6)	<u>0</u>	<u>0</u>	<u>2,259,477</u>	<u>2,259,477</u>	<u>1,692,686</u>
<u>TOTAL ASSETS</u>	<u>\$ 9,356,174</u>	<u>\$ 1,439,676</u>	<u>\$ 5,059,994</u>	<u>\$ 15,855,844</u>	<u>\$ 14,381,451</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 107,580	\$ 0	\$ 0	\$ 107,580	\$ 104,750
Accrued Expenses	229,461	0	0	229,461	156,173
Capital Lease	0	0	0	0	45,000
Tax Exempt Bonds (Note 7)	<u>3,475,000</u>	<u>0</u>	<u>0</u>	<u>3,475,000</u>	<u>3,710,000</u>
<u>Total Liabilities</u>	<u>3,812,041</u>	<u>0</u>	<u>0</u>	<u>3,812,041</u>	<u>4,015,923</u>
<u>Net Assets (Note 8)</u>					
Unrestricted	5,544,133	0	0	5,544,133	5,605,875
Temporarily Restricted	0	1,439,676	0	1,439,676	266,450
Permanently Restricted	<u>0</u>	<u>0</u>	<u>5,059,994</u>	<u>5,059,994</u>	<u>4,493,203</u>
<u>Total Net Assets</u>	<u>5,544,133</u>	<u>1,439,676</u>	<u>5,059,994</u>	<u>12,043,803</u>	<u>10,365,528</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 9,356,174</u>	<u>\$ 1,439,676</u>	<u>\$ 5,059,994</u>	<u>\$ 15,855,844</u>	<u>\$ 14,381,451</u>

See Notes to Financial Statements

ANIMAL FRIENDS, INC.

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2013

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>SUPPORT AND REVENUE</u>					
Donations and Grants (Note 9)	\$ 1,769,379	\$ 1,704,367	\$ 0	\$ 3,473,746	\$ 2,595,109
Legacies	1,289,468	0	277,216	1,566,684	1,288,570
Fund Raisers (Net of \$459,818 Direct Costs)	692,426	0	0	692,426	691,297
Investment Income (Note 10)	337,579	281,844	0	619,423	402,250
Trust Income (Note 11)	99,859	0	289,575	389,434	154,868
Net Assets Released From Restrictions: Satisfaction of Donor Restrictions	812,985	(812,985)	0	0	0
	5,001,696	1,173,226	566,791	6,741,713	5,132,094
<u>EXPENSES (Note 12)</u>					
Program	4,381,810	0	0	4,381,810	4,034,055
Administration	246,812	0	0	246,812	237,840
Fund Raising	434,816	0	0	434,816	422,094
	5,063,438	0	0	5,063,438	4,693,989
<u>NET ACTIVITY</u>	(61,742)	1,173,226	566,791	1,678,275	438,105
<u>NET ASSETS - BEGINNING OF YEAR</u>	5,605,875	266,450	4,493,203	10,365,528	9,927,423
<u>NET ASSETS - END OF YEAR</u>	\$ 5,544,133	\$ 1,439,676	\$ 5,059,994	\$ 12,043,803	\$ 10,365,528

See Notes to Financial Statements

# ANIMAL FRIENDS, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 1,678,275	\$ 438,105
Add (Deduct) Items Not Affecting Cash:		
Depreciation	222,383	233,338
Capital (Gains) Losses	(520,129)	(288,507)
Donated Asset Held In Trust	(277,216)	0
Noncash Trust (Income) Loss	(289,575)	(116,003)
Bond Issue Costs Amortization	7,000	7,000
Change in Inventory	(2,030)	(17,691)
Change in Prepaid Expenses	40,969	(50,105)
Change in Deposit	20,000	0
Change in Accounts Payable	2,830	(13,828)
Change in Accrued Expenses	73,288	110,646
Donations Restricted to Long Term Use	(960,000)	(7,350)
 <u>NET CASH FLOWS FROM OPERATIONS</u>	 <u>(4,205)</u>	 <u>295,605</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Marketable Investments	(1,282,850)	(2,177,622)
Sale of Marketable Investments	1,801,896	1,985,625
Purchase of Property, Plant and Equipment	(599,948)	(32,711)
Change in Loan Escrow	308,068	307,406
 <u>NET CASH FLOWS FROM INVESTING ACTIVITIES</u>	 <u>227,166</u>	 <u>82,698</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Donations Restricted to Long Term Use	960,000	7,350
Change in Receivables	(821,000)	(74,874)
Repayment of Capital Lease	(45,000)	(42,500)
Retirement of Tax Exempt Bonds	(235,000)	(225,000)
 <u>NET CASH FLOWS FROM FINANCING ACTIVITIES</u>	 <u>(141,000)</u>	 <u>(335,024)</u>
 <u>NET CASH FLOWS</u>	 <u>81,961</u>	 <u>43,279</u>
 <u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	 <u>853,974</u>	 <u>810,695</u>
 <u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	 <u>\$ 935,935</u>	 <u>\$ 853,974</u>
 <u>SUPPLEMENTAL DISCLOSURES</u>		
Cash paid for interest	<u>\$ 88,405</u>	<u>\$ 102,709</u>

Donations of animal supplies (primarily food) valued at \$93,000 and \$85,000 were received in 2013 and 2012 respectively.

See Notes to Financial Statements

ANIMAL FRIENDS, INC.  
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review

Except as stated in Note 14, no subsequent events occurred for the period January 1, 2014 through July 21, 2014, which is the date the financial statements were available for issue.

Organization

Animal Friends, Inc., ("Friends") received its charter as a nonprofit corporation from the Commonwealth of Pennsylvania on June 1, 1943. Since then it has operated as a public charity exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The purpose of Friends is to ensure the well being of companion animals, while ending overpopulation, abuse and unwarranted euthanasia. It is the vision of the organization to 1) reduce the number of unwanted animals through aggressive spay/neuter programs; 2) provide for the well being of companion animals in need, while adhering to our no-kill tradition, and find each a lifelong, loving home; 3) promote the animal-human bond through outreach, education and therapeutic programs; 4) act as an advocate on behalf of animals in crisis and as an enforcer of their rights and protection and; 5) ensure the financial security and stability of the organization for future generations.

Accounting For Restrictions

Net assets, revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of Friends are classified and reported as follows:

Unrestricted Net Assets - Net assets which are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets which are subject to donor-imposed restrictions which will be satisfied by actions of Friends or by the passage of time.

Permanently Restricted Net Assets - Net assets which are subject to donor-imposed stipulations that they be maintained or used in a certain way or endowments which represent resources that must be invested permanently with income to be used for either general or specific purposes.

Friends has adopted the following policies for gifts received with a donor-imposed restriction:

In the absence of donor stipulations specifying how long-lived donated assets must be used, restrictions on long-lived assets and other personal property items, or cash to acquire long-lived assets or personal property items, expire when the assets are placed in service or purchased as the case may be. The sale proceeds (or, in the case of a destroyed item, insurance proceeds) from either a donated asset or an asset purchased with a gift of cash are unrestricted unless specifically delineated otherwise by the original donor. In the absence of donor stipulations, interest income earned on temporarily restricted funds is unrestricted and may be used for general operations, programs and services.

#### Contributions

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.

#### Volunteer Services

Unpaid volunteers have made significant contributions of their services to develop Friends' programs and assist in its support. The value of these contributions is not reflected in the accompanying financial statements since it is not susceptible to an objective measurement or valuation.

#### Basis of Accounting

All transactions of Friends have been accounted for using the accrual basis of accounting. All restricted gifts are separately identified both in the financial statements and in the underlying accounting workpapers.

#### Estimates

These financial statements use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Cash and Cash Equivalents

Cash and Cash Equivalents consist of cash, certificates of deposit, and other highly liquid investments with maturities of three months or less.



## Fair Value Accounting

Investments and Assets Held in Trust are reported at fair value. Fair values are classified according to a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 - Securities traded in an active market with available quoted prices for identical assets as of the reporting date.

Level 2 - Securities not traded in an active market but for which market inputs are readily available.

Level 3 - Securities not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

All Investments and Assets Held in Trust are Level 1 securities.

## Receivables

Receivables are recorded at net realizable value. No allowance for doubtful accounts was deemed necessary. A present value discount rate of 5% is used valuing pledges receivable to the capital campaign. A \$90,000 discount to present value has been recorded.

## Inventory

Inventory is comprised of food, clothing and gift items held for sale in the gift shop. Proceeds from the sale of donated food and clothing items are recorded as Donations. Net proceeds from the sale of purchased items are recorded as a Fund Raiser. Inventory also includes animal supplies (primarily food) for use in the facility. Inventory is accounted for at the lower of cost or market, using the specific identification cost method.

## Property, Plant and Equipment

All Property, Plant and Equipment are being depreciated using the straight-line method over each asset's useful life. Useful lives assigned are five years for transportation equipment; three to ten years for furniture and equipment; and twenty to forty years for buildings. Repairs and maintenance, which do not extend the lives of the applicable assets, are charged to expense as incurred. Gain or loss from the retirement or other disposition of these assets is included in the statement of activities.

### Bond Issue Costs

Bond Issue Costs were incurred to obtain financing for the new Center. These costs are being amortized on a straight-line basis over the terms of corresponding bonds (Note 7).

### Revenue Recognition

Income from Legacies is not recognized until an estate has been settled. Reimbursements from reduced-cost spaying and neutering services are recognized on a cash basis due to the inability to reasonably estimate bad debts.

### Advertising

Advertising costs are expensed as incurred.

### Allocations

Friends reports fundraising costs and expenses by their functional classification. Some expenses have been allocated to functional classifications based on salary costs or square footage.

### Prior Year Amounts

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 presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

## 2. INVESTMENTS

Investments were composed of the following:

<u>Investment Type</u>	<u>2013</u>	<u>2012</u>
Money Market Funds	\$ 53,693	\$ 81,833
Equity Mutual Funds	2,117,466	2,086,018
Debt Mutual Funds	1,314,538	1,389,881
Common Stocks	551,916	578,798
	<u>4,037,613</u>	<u>4,136,530</u>
Restricted for Debt Service (Note 5)	<u>(700,000)</u>	<u>(800,000)</u>
Total	<u>\$ 3,337,613</u>	<u>\$ 3,336,530</u>

3. RECEIVABLES

In 2011 the board approved a plan for a three year \$3,000,000 endowment campaign. Through December 31, 2013, donations of \$2,304,578 have been received, with \$242,020 in pledges receivable.

In 2013 Friends initiated a Capital Campaign Feasibility Study to assess community interest in the expansion of facilities. Through December 31, 2013, commitments of \$960,000 (all in pledges receivable at 12/31/2013) have been received.

4. PROPERTY, PLANT AND EQUIPMENT

At December 31, 2013, Property, Plant and Equipment were composed of the following:

<u>Description</u>	<u>Accumulated</u>	<u>Net Book</u>	<u>Value</u>	<u>2012</u>
	<u>Cost</u>	<u>Depreciation</u>		
Land	\$ 775,911	\$ 0	\$ 775,911	\$ 479,563
Building	6,876,646	1,247,353	5,629,293	5,578,526
Furniture and Equipment	588,194	446,915	141,279	138,359
Transportation Equipment	281,654	166,599	115,055	87,525
	<u>\$ 8,522,405</u>	<u>\$ 1,860,867</u>	<u>\$ 6,661,538</u>	<u>\$ 6,283,973</u>

5. OTHER ASSETS

Other Assets were composed of the following:

<u>Asset</u>	<u>2013</u>	<u>2012</u>
Compensating Cash Balance	\$ 400,000	\$ 400,000
Investments Restricted for Debt Service	300,000	400,000
Cash Restricted for Debt Service	518,588	726,656
	<u>\$ 1,218,588</u>	<u>\$ 1,526,656</u>

6. ASSETS HELD IN TRUST

Permanently Restricted Assets Held In Trust represents assets held in eight separate trusts by others. In these trusts, Friends is entitled to receive a percentage of the future income earned as stipulated by the grantor in perpetuity.

7. DEBT

Debt balances and terms as of December 31, 2013 were as follows:

<u>Creditor</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Allegheny County Industrial Development Authority; 0.5% interest rate through 6/30/15, then to be renegotiated; annual principal payments due July 1; 20 year principal amortization through July 1, 2025; balance is secured by a bank letter of credit costing 1.5%; balance is also secured by the Center and Escrow Account.	<u>\$ 240,000</u>	<u>\$ 3,235,000</u>	<u>\$ 3,475,000</u>

Principal payments are due as follows:

<u>Year Ending</u>	<u>Amount</u>
2014	\$ 240,000
2015	250,000
2016	260,000
2017	265,000
2018	275,000
Thereafter	<u>2,185,000</u>
Total	<u>\$ 3,475,000</u>

Friends has a \$300,000 line of credit with interest at the prime rate expiring October 20, 2014. At December 31, 2013, nothing was drawn on the line.

8. NET ASSETS

Friends currently maintains three separate net asset classifications in order to control in detail all gifts received. These classifications include: 1) Unrestricted, which is used to account for revenues earned and gifts received without a restricted directive; 2) Temporarily Restricted, which is used to account for gifts received by Friends with donor-restricted directives; and 3) Permanently Restricted, which is used to account for gifts received which are subject to donor restricted directives which never expire. A summary of the activity in the open Temporarily Restricted Net Asset class from January 1, 2013 to December 31, 2013 is as follows:

<u>Net Asset Class</u>	<u>January 1</u>	<u>Support and Revenue</u>	<u>Release of Net Assets</u>	<u>December 31</u>
Capital Campaign	\$ 0	\$ 960,000	\$ 0	\$ 960,000
Endowment	128,583	281,844	0	410,427
Therapeutic Programming	0	287,608	231,103	56,505
Reward	12,744	0	0	12,744
Spay/Neuter	120,000	436,759	556,759	0
AAARF	0	20,000	20,000	0
Other	5,123	0	5,123	0
	<u>\$ 266,450</u>	<u>\$ 1,986,211</u>	<u>\$ 812,985</u>	<u>\$ 1,439,676</u>

A summary of the activity in the Permanently Restricted Net Asset class from January 1, 2013 to December 31, 2013 is as follows:

<u>Net Asset Class</u>	<u>January 1</u>	<u>Support and Revenue</u>	<u>Release of Net Assets</u>	<u>December 31</u>
Permanent Endowment	\$ 2,800,517	\$ 0	\$ 0	\$ 2,800,517
Assets Held in Trust	1,692,686	566,791	0	2,259,477
	<u>\$ 4,493,203</u>	<u>\$ 566,791</u>	<u>\$ 0</u>	<u>\$ 5,059,994</u>

A reconciliation of endowment activity is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
Balance January 1	\$ 0	\$ 128,583	\$ 2,800,517	\$ 2,929,100	\$ 2,779,814
Contributions	0	0	0	0	7,350
Investment Income	0	56,719	0	56,719	58,417
Capital Gains/(Losses)	0	372,580	0	372,580	191,617
Fees	0	(15,492)	0	(15,492)	(14,318)
Distributions	0	(131,963)	0	(131,963)	(93,780)
Balance December 31	<u>\$ 0</u>	<u>\$ 410,427</u>	<u>\$ 2,800,517</u>	<u>\$ 3,210,944</u>	<u>\$ 2,929,100</u>

Friends' endowment fund is governed by Pennsylvania's Principal and Income Act (Act 141) enacted on December 21, 1998.

The Board of Directors has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the real value of the endowment portfolio. Under this policy, the endowment assets are invested in a manner that is intended to emphasize total return (aggregate return from capital appreciation and dividend and interest income) sufficient to preserve the real (inflation-adjusted) value of the portfolio, achieve long-term growth of principal, while avoiding excessive risk and to the extent necessary, provide for the operating needs of Friends. The Board of Directors has adopted a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes (domestic and international equity, investment grade fixed income, high yield fixed income and cash equivalents). The investment objective for each asset class portfolio is to exceed the rate of return of a relevant benchmark after taking into account all manager fees.

Each year, Friends appropriates a percentage of its endowment fund's average fair value over the prior three years preceding the fiscal year in which the distribution is planned. The Board of Trustees votes on this appropriation each year. For the fiscal years 2013 and 2012, this percentage was 5%.

From time to time, the fair value of assets associated with endowment funds may fall below the level of the original gift. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets.

#### 9. DONATIONS

Unrestricted and Temporarily Restricted donations are received from a broad base of donors. There is not a significant concentration of risk in large donations.

10. INVESTMENT INCOME

Investment Income is composed of the following:

<u>Item</u>	<u>2013</u>	<u>2012</u>
Dividends	\$ 55,052	\$ 54,661
Interest	44,242	59,082
Capital Gains	520,129	288,507
	<u>\$ 619,423</u>	<u>\$ 402,250</u>

11. TRUST INCOME

Trust Income is composed of the following:

<u>Item</u>	<u>2013</u>	<u>2012</u>
Dividends	\$ 41,948	\$ 23,850
Interest	14,179	12,254
Capital Gains	351,829	131,890
Expenses	(18,522)	(13,126)
	<u>\$ 389,434</u>	<u>\$ 154,868</u>

12. EXPENSES

Detail of functional expenses is as follows:

Expense	2013				2012
	Program	Administration	Fund Raising	Total	Total
Payroll & Related Costs*	\$ 2,546,567	\$ 146,354	\$ 234,167	\$ 2,927,088	\$ 2,847,086
Animal Care & Services	949,194	0	0	949,194	773,973
Depreciation	209,040	4,448	8,895	222,383	233,338
Utilities	170,188	3,621	7,242	181,051	164,154
Printing & Postage	59,414	6,944	87,964	154,322	154,269
Software Support & Website	54,197	32,518	21,679	108,394	87,725
Interest	83,991	1,787	3,574	89,352	101,305
Professional Fees	45,850	36,311	0	82,161	37,731
Repairs & Maintenance	73,902	1,572	3,145	78,619	49,952
Office Costs	38,175	10,689	12,216	61,080	65,818
Insurance	53,019	1,128	2,256	56,403	46,656
Bank Fees	0	0	38,837	38,837	41,046
Local Transportation	24,157	0	0	24,157	24,134
Publicity	6,441	0	11,961	18,402	13,361
Other	67,675	1,440	2,880	71,995	53,441
Total	<u>\$ 4,381,810</u>	<u>\$ 246,812</u>	<u>\$ 434,816</u>	<u>\$ 5,063,438</u>	<u>\$ 4,693,989</u>

\* On January 1, 1999 Friends adopted a defined contribution pension plan covering all full and part time employees who have completed one year of service. Friends can contribute 0%-15% of employee wages to the plan. Friends' cost for this plan was \$19,853 in 2013 and \$17,464 in 2012.

13. CONCENTRATION OF CREDIT RISK

Although Friends maintains cash balances in excess of federally insured limits, they have not historically experienced any credit loss.

14 SUBSEQUENT EVENT

In February, 2014 Friends closed on the purchase of 25 acres of property contiguous to the Center at the cost of \$260,000.