St. Vincent de Paul Village, Inc.

Financial Statements
Years Ended December 31, 2014 and 2013

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Contents

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Independent Auditors' Report

To the Audit Committee
St. Vincent de Paul Village, Inc.
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of **St. Vincent de Paul Village, Inc**. (the "Village"), a nonprofit corporation, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, 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 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 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 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 **St. Vincent de Paul Village, Inc**. 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Statements of Functional Expenses on pages 9 and 10 are presented for purposes of additional analysis and is 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.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is 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 audits 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2015 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 **St. Vincent de Paul Village's** internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

San Diego, California
May 26, 2015

St. Vincent de Paul Village, Inc.

Statements of Financial Position

December 31,		**2014**		2013
Assets				
Current assets:				
Cash	**$**	**463,302**	$	1,923,179
Investments		**1,552,222**		1,451,484
Grants receivable		**1,590,184**		1,254,432
Contributions receivable		**1,120,517**		669,765
Pledge receivable, current portion		**400,000**		-
Bequests receivable		**1,143,333**		198,762
Prepaid expenses and other receivables		**1,158,850**		628,789
Total current assets		**7,428,408**		6,126,411
Property and equipment:				
Equipment, furniture and vehicles		**3,076,816**		2,824,633
Buildings and leasehold improvements		**5,236,924**		3,732,163
Construction in process		**27,922**		343,378
		8,341,662		6,900,174
Less accumulated depreciation and amortization		**(5,095,450)**		(4,673,731)
Net property and equipment		**3,246,212**		2,226,443
Other assets:				
Investment in limited partnership		**49**		51
Deposit		**72,000**		72,000
Pledge receivable, less current portion, net of discount		**1,059,751**		-
Pooled income fund		**135,804**		150,599
Charitable remainder trust		**369,143**		384,769
Development fee receivable from affiliates		**107,405**		167,405
Due from Martha's Village and Kitchen, Inc.		**968,057**		1,006,811
Cash surrender value of insurance		**202,826**		167,093
Beneficial interest in gift annuity		**36,290**		167,131
Beneficial interest in perpetual trusts		**1,252,047**		1,244,764
Endowment fund		**2,928,210**		2,877,377
Total other assets		**7,131,582**		6,238,000
Total assets	**$**	**17,806,202**	$	14,590,854
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**1,630,148**	$	1,924,422
Deferred rent, current portion		**4,410**		-
Deferred grant revenue		**32,499**		12,501
Total current liabilities		**1,667,057**		1,936,923
Deferred rent, less current portion		**6,870**		-
Margin loan		**12,972**		451,899
Line of credit		**1,500,000**		1,000,000
Due to S.V.D.P. Management, Inc.		**7,380,415**		5,336,249
Forgivable debt		**2,046,800**		1,330,177
Total liabilities		**12,614,114**		10,055,248
Net assets:				
Unrestricted		**(2,204,908)**		(652,038)
Temporarily restricted		**3,389,322**		1,356,661
Permanently restricted		**4,007,674**		3,830,983
Total net assets		**5,192,088**		4,535,606
Total liabilities and net assets	**$**	**17,806,202**	$	14,590,854

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

St. Vincent de Paul Village, Inc.

Statements of Activities

Years Ended December 31,	**2014**	2013
Changes in unrestricted net assets:		
Revenue, contributions and other:		
Contributions from organizations, foundations and individuals	**$ 10,223,102**	$ 8,580,519
Sales of donated goods	**4,728,637**	4,139,706
Grants	**7,831,665**	8,366,420
Contributions from S.V.D.P. Management, Inc.	**600,000**	1,200,000
Special events, net of direct benefit expense of approximately $113,000 and $159,000, respectively	**659,549**	833,789
Interest, investment, shared expenses and other income	**568,261**	734,913
Net medical revenue	**1,268,303**	1,001,913
Net assets released from donor restrictions	**597,795**	994,005
Total revenue, contributions and other	**26,477,312**	25,851,265
Expenses, contributions and other:		
Programs and services for the homeless	**19,986,132**	19,266,218
Cost of retail program	**3,868,213**	3,548,363
Fundraising	**1,940,924**	1,763,520
Administration	**2,234,913**	2,350,294
Total expenses, contributions and other	**28,030,182**	26,928,395
Change in unrestricted net assets	**(1,552,870)**	(1,077,130)
Changes in temporarily restricted net assets:		
Contributions	**2,716,651**	229,955
Change in value of split interest agreements	**(24,710)**	(27,807)
Net realized and unrealized gain (loss) on endowment fund	**(111,963)**	123,669
Net assets released from donor restrictions	**(547,317)**	(942,477)
Change in temporarily restricted net assets	**2,032,661**	(616,660)
Changes in permanently restricted net assets:		
Contributions	**167,121**	57,800
Change in value of permanently restricted net assets	**60,048**	97,420
Net assets released from donor restrictions	**(50,478)**	(51,528)
Change in permanently restricted net assets	**176,691**	103,692
Change in net assets	**656,482**	(1,590,098)
Net assets at beginning of year	**4,535,606**	6,125,704
Net assets at end of year	**$ 5,192,088**	$ 4,535,606

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

Statements of Cash Flows

Years Ended December 31,	**2014**	2013
Operating Activities		
Change in net assets from operations	**$ 656,482**	$ (1,590,098)
Reconciliation of change in net assets to net cash used in operating activities:		
Depreciation and amortization	**421,717**	360,006
Change in value of temporarily restricted split interest agreements	**24,710**	27,807
Change in value of permanently restricted split interest agreements	**(60,442)**	(88,892)
Distributions from permanently restricted split interest agreements	**74,902**	50,046
Contributions of securities	**(716,714)**	(546,980)
Contributions restricted for long-term purposes	**(167,121)**	(57,800)
Realized and unrealized gain on investments	**(44,024)**	(50,749)
Realized and unrealized (gain) loss on endowment	**111,963**	(123,669)
Change in cash surrender value of insurance	**(35,733)**	(40,924)
Gain on sale of property held for sale	**-**	(91,000)
Gain on investment in limited partnership	**(7)**	(41)
Forgiveness of debt	**-**	(443,194)
Changes in operating assets and liabilities:		
Deposit	**-**	75,000
Grants receivable	**(335,752)**	19,802
Contributions receivable	**(944,571)**	694,235
Pledges receivable	**(1,459,751)**	-
Bequests receivable	**(450,752)**	-
Prepaid expenses and other receivables	**(530,061)**	(519,765)
Development fee receivable from affiliates	**60,000**	127,000
Due from Martha's Village and Kitchen, Inc.	**38,754**	(13,815)
Beneficial interest in gift annuity	**114,809**	-
Accounts payable and accrued liabilities	**(244,400)**	530,206
Deferred grant revenue	**19,998**	(16,664)
Deferred rent	**11,280**	
Due to S.V.D.P. Management, Inc.	**2,044,166**	1,898,788
Net cash provided by (used in) operating activities	**(1,410,547)**	199,299
Investing Activities		
Purchases of property and equipment	**(1,441,486)**	(544,130)
Proceeds from sale of investments	**685,987**	32,298
Purchases of investments	**(188,783)**	(105,073)
Proceeds from sale of property held for sale	**-**	291,000
Net cash used in investing activities	**(944,282)**	(325,905)
Financing Activities		
Proceeds from forgivable debt	**666,749**	285,177
Net proceeds from line of credit	**500,000**	-
Principal payments on margin loan	**(438,927)**	(144,673)
Contributions restricted for long-term investment	**167,121**	57,800
Distribution from limited partnership	**9**	-
Capital contribution to limited partnership	**-**	(10)
Net cash provided by financing activities	**894,952**	198,294
Net change in cash	**(1,459,877)**	71,688
Cash, beginning of year	**1,923,179**	1,851,491
Cash, end of year	**$ 463,302**	$ 1,923,179

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

Years Ended December 31,	**2014**	2013
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	**$ 102,144**	$ 158,796

Noncash Investing and Financing Activities:

The Village received stock contributions of $716,714 and $546,980 for the years ended December 31, 2014 and 2013, respectively. Of which, $50,000 and $24,558 of the stock contributions received were contributions to the permanently restricted endowment.

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

Year Ended December 31, 2014

	Housing and Supportive Services	Medical Clinic	Toussaint	Total	Cost of Retail Program	Management and General	Fundraising	Total Expenses
Salaries & Employee Related Expenses	$ 6,743,677	$ 1,118,892	$ 765,860	$ 8,628,429	$ 1,694,613	$ 420,386	$ 434,000	**$ 11,177,428**
Rent	2,554,196	107,727	110,897	2,772,820	463,075	209,929	66,072	**3,511,896**
Food	2,044,158	216	65,129	2,109,503	636	-	87	**2,110,226**
Contract Services	2,700	242,596	-	245,296	-	1,546,770	134,509	**1,926,575**
Employee Benefits	850,672	98,601	88,546	1,037,819	249,675	-	30,566	**1,318,060**
Miscellaneous	786,028	65,954	46,258	898,240	185,285	10,342	98,036	**1,191,903**
Utilities	667,773	38,138	69,855	775,766	246,401	-	-	**1,022,167**
HUD Sub-Recipient Expenses	863,241	-	-	863,241	-	-	-	**863,241**
Contract Services - UCSD	-	511,215	-	511,215	-	-	-	**511,215**
Professional Fees	4,700	283,785	13,479	301,964	8,893	47,111	83,061	**441,029**
Vehicle	65,569	119	13,286	78,974	357,531	-	-	**436,505**
Repair & Maintenance	366,166	11,809	27,829	405,804	16,634	-	6,772	**429,210**
Insurance	292,134	15,018	9,405	316,557	50,584	-	57,485	**424,626**
Depreciation	321,039	-	24,263	345,302	76,415	-	-	**421,717**
Supplies	318,775	11,979	9,144	339,898	38,501	-	1,512	**379,911**
Commodities Donations to Others	-	-	-	-	372,541	-	-	**372,541**
Advertising	395	-	-	395	70,858	375	245,340	**316,968**
Printing	1,610	1,158	34	2,802	3,579	-	310,113	**316,494**
Special Events	-	-	-	-	-	-	258,727	**258,727**
Postage	2,615	11	131	2,757	2,351	-	206,396	**211,504**
Medical & Dental	9,279	132,048	786	142,113	-	-	-	**142,113**
Telephone	74,055	3,885	10,694	88,634	30,641	-	8,248	**127,523**
Direct Client Expenses	69,702	6,069	42,832	118,603	-	-	-	**118,603**
Total	$ 16,038,484	$ 2,649,220	$ 1,298,428	$ 19,986,132	$ 3,868,213	$ 2,234,913	$ 1,940,924	**$ 28,030,182**
% of Total	57%	9%	5%	71%	14%	8%	7%	**100%**

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

Statement of Functional Expenses

Year Ended December 31, 2013

	Housing and Supportive Services	Medical Clinic	Toussaint	Total	Cost of Retail Program	Management and General	Fundraising	**Total Expenses**
Salaries & Employee Related Expenses	$ 6,908,983	$ 1,071,587	$ 759,474	$ 8,740,044	$ 1,675,892	$ 539,472	$ 324,138	**$ 11,279,546**
Rent	2,525,683	113,067	109,258	2,748,008	429,498	206,824	66,073	**3,450,403**
Contract Services	1,000	176,030	-	177,030	-	1,529,559	82,919	**1,789,508**
Food	1,681,825	191	51,385	1,733,401	20,413	-	73	**1,753,887**
Employee Benefits	751,292	81,235	85,047	917,574	176,370	-	21,562	**1,115,506**
Miscellaneous	698,379	94,651	55,562	848,592	140,876	26,664	59,873	**1,076,005**
HUD Sub-Recipient Expenses	874,955	-	-	874,955	-	-	-	**874,955**
Utilities	567,983	36,431	58,514	662,928	201,613	-	-	**864,541**
Supplies	337,789	34,813	45,812	418,414	57,634	-	2,222	**478,270**
Vehicle	69,277	372	9,483	79,132	372,324	-	-	**451,456**
Contract Services - UCSD	-	420,322	-	420,322	-	-	-	**420,322**
Printing	648	720	33	1,401	24,214	-	365,067	**390,682**
Professional Fees	33,239	262,640	20,092	315,971	4,827	47,775	12,615	**381,188**
Repair & Maintenance	301,316	23,959	28,145	353,420	14,700	-	4,159	**372,279**
Insurance	241,376	18,115	4,950	264,441	48,910	-	56,673	**370,024**
Depreciation	255,046	-	28,520	283,566	76,440	-	-	**360,006**
Advertising	-	-	-	-	32,732	-	312,117	**344,849**
Special Events	-	-	-	-	-	-	252,684	**252,684**
Commodities Donations to Others	-	-	-	-	229,407	-	-	**229,407**
Postage	1,485	23	187	1,695	18,483	-	197,673	**217,851**
Medical & Dental	13,369	158,475	496	172,340	-	-	-	**172,340**
Telephone	109,878	2,801	9,419	122,098	24,030	-	5,672	**151,800**
Direct Client Expenses	96,056	6,759	28,071	130,886	-	-	-	**130,886**
Total	$ 15,469,579	$ 2,502,191	$ 1,294,448	$ 19,266,218	$ 3,548,363	$ 2,350,294	$ 1,763,520	**$ 26,928,395**
% of Total	57%	9%	5%	71%	13%	9%	7%	**100%**

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

1. Organization and Significant Accounting Policies

Organization

The accompanying financial statements present the operations of St. Vincent de Paul Village, Inc. (the “Village”). The Village is comprised of the following operating activities:

Programs and Services for the homeless and those at-risk for homelessness (the “Centers” which are Joan Kroc Center, Bishop Maher Center, Josue AIDS Homes and Paul Mirabile Center): The Centers provide comprehensive services for homeless men, women and children. They provide interim, transitional and rapid re-housing programs, as well as, an array of services including medical and dental care, case management, meals, job skills training, addiction treatment, mental health services and therapeutic childcare. The Centers receive support through state and Federal grants, foundations and contributions from Fundraising and Retail activities.

Medical Clinic: The medical and dental services provided by the Centers are through our licensed primary care clinic that is a Federally Qualified Health Center (FQHC). The services provided are primarily sourced by a combined residency program in psychiatry and family medicine with the University of California San Diego (UCSD), a premier partnership and training site which is considered to be a “best practice” approach to serving the homeless.

Toussaint Academy San Diego (“TASD”) is a licensed group home that services homeless youth. TASD provides residents with medical services, meals, education and life skills support, as well as, a safe place to live.

Retail: Retail's primary source of funds is from the sale of donated used furniture, clothing and other items through daily warehouse auctions, the furniture warehouse and three retail thrift stores.

Fundraising: Through its fundraising efforts, the Village finances shelter, food and charity programs.

Organization, cont'd

S.V.D.P. Management, Inc., ("S.V.D.P."), is an affiliated organization which develops, maintains and leases property, and provides funding and services to the Village for its operating activities.

Martha's Village & Kitchen, Inc. ("MVK") is located in Indio, California and provides shelter, food, and other services similar to the Village programs. The Village provides administrative support to MVK in executing the model developed by the Village.

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with the authoritative guidance related to not-for-profit entities. Accordingly, the Village is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Investments

The Village carries investments in equity securities with readily determinable fair values and investments in debt securities at fair value with realized and unrealized gains and losses included in the statement of activities in accordance with authoritative guidance.

Investments consist of marketable securities and are accounted for as follows:

Marketable securities consist of mutual funds, equity, and fixed income securities and are recorded at fair market value. The fair value of investments in securities is based on quoted market prices and is valued at the closing price on the last business day of the year.

Realized gains and losses on the sale of investments are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the period or since the acquisition date, if acquired during the period, and are recorded as a component of unrestricted net assets, unless restricted by donor.

Donated investments are initially recorded at fair value on, or near, the date of the gift.

Contributions, pledges and bequests

The Village records contributions, pledges and bequests consisting of cash and other assets by donors at fair value in the period in which the commitment is made. Contributions receivable consist of contributions received within 21 days of year end that are dated prior to year end. Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions. Conditional promises to give are recognized when the conditions are substantially met in accordance with the authoritative guidance. Bequests receivable consist of trusts held by others in which the donor has passed, and the Village is named as a beneficiary.

Restricted contributions, whose restrictions are met within the same reporting period, are recorded as unrestricted contributions.

Medical clinic revenue and receivable

As a FQHC, the Village provides services to all persons regardless of their ability to pay, using a sliding fee scale based on patient family size and income. Some patients are covered by Medi-Cal and other insurance payors. These payors limit payment for services based upon their respective schedules of usual, customary, and reasonable fees. Being a FQHC allows the Village to obtain additional reimbursement for the services provided.

Accounts receivable consist of amounts billed for services provided. The allowance for estimated uncollectible accounts is based on past experience and on an analysis of current receivable balances. Accounts deemed uncollectible are written-off in the period deemed uncollectible. The allowance is recorded as a deduction from the medical clinic revenue. Management determined an allowance for doubtful accounts of approximately $346,000 was necessary at December 31, 2014 and 2013.

Grants revenue and receivable

The Village is awarded grants from Federal, state, county and city agencies. Those grants funded renew annually, with the amount awarded negotiated in advance. Grant revenue is recognized as revenue when the related program costs are incurred. Unexpended grant funds received in advance of the related expenditures are reported as deferred grant revenue and are minimal in value.

Grants revenue and receivable, cont'd	At December 31, 2014 and 2013 the Village had approximately $1,590,000 and $1,254,000, respectively, in grants receivable. Management has determined that no allowance is necessary on the grants receivable.
Donated goods	The Village recognizes revenue related to the sale of donated food, furniture, clothing and other items at the time of sale.
Expiration of donor restrictions	The expiration of a donor restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.
Long-lived assets	The Village records impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount.
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 results could differ from those estimates. Significant estimates used in preparation of these financial statements include the valuation of split-interest agreements, beneficial interest in perpetual trusts, and the functional allocation of expenses.
Concentration of credit risk	Financial instruments which potentially subject the Village to concentrations of credit risk consist primarily of cash. The Village maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits. The Village has not experienced any losses in such accounts. Management believes that the Village is not exposed to any significant credit risk with respect to its cash.
Contributed services	Services provided by volunteers in the medical and dental clinics are measured by the fair value of the service received. Contributed services of approximately $284,000 and $263,000 were included in contribution income on the statements of activities and professional fees on the statements of functional expenses for 2014 and 2013, respectively. Other services received from volunteers are not of a type permitted to be recognized in the financial statements in accordance with the authoritative guidance; thus, no value was recorded.

Property held for sale

Property held for sale is stated at estimated fair value at the date of contribution and impairment losses are recorded when indicators of impairment are present. The fair value is determined using market prices of similar properties.

Property and equipment

Property and equipment is stated at cost. Depreciation and amortization are provided for using the straight-line method over the estimated useful lives of the assets, which range from five to ten years. Leasehold improvements are amortized over the shorter of the life of the asset or the lease term. All items with a value of $5,000 or greater are capitalized. Depreciation expense was approximately $422,000 and $360,000 for 2014 and 2013, respectively.

Income taxes

The Village is exempt from income taxes on the basis that it qualifies under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. All tax-exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the organization as a tax-exempt entity under Internal Revenue Code 501(c)(3) and applicable state statutes. At December 31, 2014, the federal statute of limitation remains open for the 2011 through 2014 tax years. The statute of limitations for the state income tax returns remains open for the 2010 through 2014 tax years.

Advertising

The Village expenses advertising costs as incurred. Advertising costs were approximately $374,000 and $403,000 for 2014 and 2013, respectively.

Functional expenses

The cost of providing various programs and services has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and services benefited.

Reclassifications

Certain reclassifications have been made to the 2013 balances to conform to the 2014 financial statement presentation. These reclassifications have no affect on total reported net assets or change in net assets.

2. Related Party Transactions

Related party rental expense

The Centers rent their facilities from S.V.D.P., Village Place, L.P., Toussaint Teen Center, L.P. and 15th & Commercial, L.P., all affiliates, under long-term operating leases that expire at various dates through 2028. The Centers' rental expense was approximately $2,748,000 and $2,709,000 for 2014 and 2013, respectively.

Related party rental expense, cont'd

Fundraising paid approximately $66,000 in 2014 and 2013 to S.V.D.P. under a lease for office space.

Retail leases two warehouses from S.V.D.P. as well as retail space from 16th and Market, L.P. Total rent expense under these leases was approximately $289,000 and $284,000 for 2014 and 2013, respectively.

Total future minimum lease payments in the years subsequent to December 31, 2014 are as follows:

Year Ending December 31,	Centers	Retail	Fundraising	Total
2015	$ 2,797,023	$ 292,877	$ 66,073	$ 3,155,973
2016	2,692,332	293,778	-	2,986,110
2017	2,114,973	293,778	-	2,408,751
2018	1,891,155	-	-	1,891,155
2019	1,887,425	-	-	1,887,425
Thereafter	204,890	-	-	204,890
Total	$ 11,587,798	$ 880,433	$ 66,073	$ 12,534,304

15th & Commercial, L.P. operating subsidy and CAM charges

An operating subsidy is mandated by the 15th & Commercial, L.P. transitional housing lease. Per the lease agreement, on December 3 of each calendar year the Village shall pay 15th & Commercial, L.P. a subsidy payment in an amount equal to the Section 42 Breakpoint less the amount of property expenses that the Village paid for the calendar year. This payment is to supplement the difference between the maximum allowable California Tax Credit Allocation Committee ("TCAC") rent rate charged to tenants and the cost to maintain the units. The subsidy was approximately $143,000 and $184,000 in 2014 and 2013, respectively.

The Village pays CAM charges for the two properties leased from 15th & Commercial, L.P. The CAM charges were approximately $403,000 and $317,000 in 2014 and 2013, respectively.

Contract services with S.V.D.P. Management, Inc.

S.V.D.P. has a service contract with the Village to provide administrative services. The charges under this contract were approximately $1,624,000 and $1,606,000 in 2014 and 2013, respectively.

Due to/from S.V.D.P. Management, Inc.

The Village and S.V.D.P. provide cash advances and contributions to each other from time to time. The Village owed S.V.D.P. $7,380,000 and $5,336,000 as of December 31, 2014 and 2013, respectively.

Contributions from S.V.D.P. Management, Inc.

The Village received contributions from S.V.D.P. to support operations in the amount of approximately $600,000 and $1,200,000 in 2014 and 2013, respectively.

Pass-through grant to S.V.D.P. Management, Inc.

The Village has been awarded a grant from the Department of Housing and Urban Development to fund the continuum of care program. Village passed through approximately $23,000 and $22,000 of continuum of care funding to S.V.D.P. in 2014 and 2013, respectively.

Due from Martha's Village and Kitchen, Inc.

The Village provides cash advances to MVK, an affiliate of the Village, from time to time. As of December 31, 2014 and 2013, MVK owed the Village approximately $968,000 and $1,007,000, respectively. A significant portion of this balance is related to payroll expenses paid by the Village on behalf of MVK.

Investment in Village Place Apartments, L.P.

During 2014 the Village recognized a gain on investment in limited partnership of $7 which is included in interest, investment, shared expenses and other income on the statement of activities and received a distribution of $9. The investment in limited partnership is stated at estimated fair value. The value of the investment in the partnership was $49 at December 31, 2014.

During 2013 the Village purchased a 0.01% limited partnership interest in Village Place Apartments, L.P. The Village made an investment of $10 and recognized a gain on investment in limited partnership of $41 which is included in interest, investment, shared expenses and other income on the statement of activities. The investment in limited partnership is stated at estimated fair value. The value of the investment in the partnership was $51 at December 31, 2013.

3. Leases

In addition to the related party leases described in Note 2, the Village leases thrift stores under noncancelable operating leases that expire at various dates through 2022. Rent expense under these operating leases was approximately $174,000 and $145,000 for 2014 and 2013, respectively.

The Village also has non-cancelable lease agreements for vehicles that expire at various dates through 2022. The leases include both a fixed amount for the vehicles, and a variable rate depending on the number of miles driven. The rental amounts include a CPI increase after 24 months from the date the Village entered into the leases. Rent expense under these

3. Leases, Cont'd

operating leases aggregated to approximately $219,000 and $223,000 for 2014 and 2013, respectively. Aggregate future minimum lease payments under operating leases in the years subsequent to December 31, 2014 are as follows:

Year Ending December 31,	Thrift Stores	Vehicles	Total
2015	$ 164,471	$ 177,313	$ 341,784
2016	131,419	182,650	314,069
2017	91,411	175,484	266,895
2018	93,239	167,014	260,253
2019	95,104	167,014	262,118
Thereafter	271,269	454,398	725,667
	$ 846,913	$ 1,323,873	$ 2,170,786

4. Grant Agreements

The Village has entered into seven grant agreements with the U.S. Department of Housing and Urban Development ("HUD") and other governmental agencies whereby these grants will subsidize a portion of the operating costs of the Family Living Center Program, TASD, Fresh Start Program, Solutions Projects "Four", Solutions Projects "Two and Five.", and Rapid Re-Housing for Families (RRHFF) Program. HUD funds are also passed through to S.V.D.P.

The Village is committed to certain matching funds that are to be provided by Fundraising. The seven agreements designate the following commitments for the years ending December 31, 2015 and 2016:

Grant Agreement	Commitment	2015	2016
Family Living	HUD Commitment	$ 508,728	$ 127,182
Center	Village Commitment	127,182	31,796
		$ 635,910	$ 158,978
Toussaint Academy	HUD Commitment	$ 395,425	$ 98,856
San Diego	Village Commitment	98,856	24,714
		$ 494,281	$ 123,570
Fresh	HUD Commitment	$ 611,853	$ 203,951
Start	Village Commitment	152,963	50,988
		$ 764,816	$ 254,939

4. Grant Agreements, Cont'd

Solutions Project	HUD Commitment	$ 845,115	$ 70,426
"Four"	Village Commitment	202,271	16,856
		$1,047,386	$ 87,282
Solutions Project	HUD Commitment	$ 879,930	$ 220,933
"Two and Five"	Village Commitment	209,891	51,869
		$1,089,821	$ 272,802
Boulevard	HUD Commitment	$ 44,214	$ 33,144
Apartments	Village Commitment	11,055	8,291
		$ 55,269	$ 41,435
RRHFF	HUD Commitment	$ 325,695	$ 325,695
Program	Village Commitment	81,424	81,424
		$ 407,119	$ 407,119
	HUD Commitment	$3,610,960	$ 1,080,187
Summary	Village Commitment	883,642	265,938
		$4,494,602	$ 1,346,125

These grant agreements and certain other grant support are subject to review by the grantor agencies, which could lead to requests for reimbursements by the grantor agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowances, if any, will not be significant.

The Village is a pass-through entity for certain HUD projects. As a result, it has contracted with sub-recipients to perform the tasks required by the project agreements. The following is a summary of commitments to the sub-recipients for the years ending December 31, 2015 and 2016:

	2015	2016	Totals
Solutions Project "Four"	$ 457,450	$ 38,121	$ 495,571
Solutions Project "Two and Five"	427,620	142,540	570,160
Boulevard Apartments	22,038	16,512	38,550
Totals	$ 907,108	$ 197,173	$ 1,104,281

5. Development Fee Receivable from Affiliates

On February 12, 2002, the Village and Chelsea Investment Corporation ("CIC") entered into an agreement with Villa Harvey Mandel, L.P., an affiliate of the Village, to supervise and oversee the development of the Villa Harvey Mandel project for a development fee of approximately $1,095,000. The development fee was earned as services were performed. The Village will receive 60% and CIC has received 40% of the development fee. A portion of the fee was deferred and the cash portion of the development fee has been paid in full to CIC. As of December 31, 2014 and 2013, approximately $107,000 and $167,000, respectively, of the development fee remained due to the Village.

6. 401(k) Profit Sharing

The Village participates in a profit-sharing retirement plan that covers all eligible employees of the Village and its partner agencies. Each organization makes matching contributions on a discretionary basis. There was no matching contribution made to the plan for the years ended December 31, 2014 and 2013.

7. Prepaid Expenses and Other Receivables

The Village's prepaid expenses and other receivables are comprised of the following:

December 31,	**2014**	2013
Net medical clinic receivable	**$ 924,432**	$ 452,589
Prepaid expenses	**188,811**	115,174
Accounts receivable	**41,563**	55,110
Inventory	**4,044**	5,916
Prepaid expenses and other receivables	**$ 1,158,850**	$ 628,789

8. Investments

The cost and fair value of investments are summarized as follows:

December 31,	**2014**	
	Cost	Fair Value
Mutual funds	$ 950,542	$ 934,060
Cash	573,488	573,488
Municipal bonds	20,000	20,283
Equities	-	24,241
Estimated accrued interest	-	350
Totals	$ 1,544,030	$ 1,552,222

8. Investments, Cont'd

December 31,	2013	
	Cost	Fair Value
Mutual funds	$ 860,779	$ 891,213
Cash	408,895	408,895
Municipal bonds	125,110	125,877
Equities	578	23,447
Estimated accrued interest	-	2,052
Totals	$ 1,395,362	$ 1,451,484

Fair values have been determined by reference to the most recent market quotations for the respective investments.

Investment return included in interest, investment, shared expenses and other income are comprised of the following:

December 31,	**2014**	2013
Investment income	**$ 65,970**	$ 39,788
Realized gain	**41**	-
Unrealized gain (loss)	**(13,934)**	17,188
Fees	**(8,053)**	(6,227)
Totals	**$ 44,024**	$ 50,749

9. Pooled Income Fund and Charitable Remainder Trust

The Village is the beneficiary under one pooled income fund and a charitable remainder trust that are administered by third parties.

The pooled income fund is an arrangement whereby donors contribute cash into the fixed income investment account. Donors are assigned a specific number of units based on the fair value of their contribution to the pool as a whole. Investment income is distributed to each donor proportionally based on the donors units. When a donor dies, the donor's share in the fund is distributed to the Village. The amounts to be received were recorded at the present value of the contribution based on the donor's life expectancy and a discount rate at the time of contribution.

The charitable remainder trust is an arrangement whereby a donor contributes assets in exchange for distributions to a designated beneficiary over the remainder of the beneficiary's life. At the end of that time, the remaining assets will be given to the Village.

9. Pooled Income Fund and Charitable Remainder Trust, Cont'd

The charitable remainder trust is administered by a third-party trustee and has its beneficial interest in the trust recorded at fair value based on the present value of the future benefits expected to be received from the trust at the date the agreement was recorded. The discount rate on the present value of expected benefits is 3.25%.

Total unamortized discounts for the pooled income fund were approximately $37,000 and $47,000 as of December 31, 2014, and 2013, respectively.

Total unamortized discounts for the charitable remainder trust were approximately $211,000 and $223,000 as of December 31, 2014, and 2013, respectively.

10. Line of Credit

The Village had a $2,275,000 non-revolving line of credit (LOC) from a bank that expired in June 2013. In May 2013, the outstanding LOC of $2,275,000 was paid off with proceeds from a $1,275,000 5-year term loan contributed by S.V.D.P. and a $1,000,000 new revolving LOC from a bank secured by the Village. This revolving LOC allows for advances up to $2,000,000 and requires interest only payments with a maturity date of May 16, 2015. Management is currently in negotiations with the bank for an extension of the LOC. The monthly interest payments are calculated using the prime rate plus 1.0%. The rate at December 31, 2014 was 4.25%. S.V.D.P. and MVK are both guarantors on the LOC and it is collateralized by a deed of trust and an Assignment of Rents and Commercial Security Agreement.

At December 31, 2014 and 2013 the outstanding balance was $1,500,000 and $1,000,000, respectively. Interest expense related to the LOC was approximately $50,000 and $17,000 for 2014 and 2013, respectively.

The LOC has both financial and reporting requirements. At December 31, 2014, management is not aware of any violations of these covenants.

11. Debt

In January 2004, S.V.D.P. was awarded a loan of approximately $443,000 from the Emergency Housing Assistance Program (EHAP) of the State of California for the rehabilitation of the Paul Mirabile Center. The loan is secured by a deed of trust on the property and bears interest at 3.0%. The loan and interest will be forgiven in seven years from the project completion date if certain conditions are met. S.V.D.P. assigned its rights under the loan

11. Debt, Cont'd

agreement and transferred the loan to the Village in June 2006. The Village drew the full amount of the loan. Interest expense related to the loans was approximately $13,000 for 2013. The loan and related accrued interest were forgiven in 2013.

In February 2012, the Village was awarded a loan of $1,000,000 from the EHAP of the State of California for tenant improvements at 15th & Commercial, L.P. The loan is secured by a deed of trust on the property and bears interest at 3.0%. The loan and interest will be forgiven in seven years from the project date of recordation by the County Recorder of the Notice of Completion if certain conditions are met. The Village has drawn the full amount of the loan and the entire balance remains outstanding as of December 31, 2014 and 2013. Interest expense related to the loan was $30,000 for 2014 and 2013, respectively. Accrued interest related to the loan was $75,000 and $45,000 for 2014 and 2013, respectively.

In September 2013, the Village was awarded a loan of approximately $568,000 from the EHAP of the State of California for tenant improvements at the Village. The loan is secured by a deed of trust on the property and bears interest at 3.0%. The loan and interest will be forgiven in seven years from the project date of recordation by the County Recorder of the Notice of Completion if certain conditions are met. The Village has drawn approximately $568,000 of the loan as of December 31, 2014. Interest expense related to the loan was $15,000 for 2014. Accrued interest related to the loan was $15,000 for 2014.

In October 2013, the Village was awarded a loan of $430,000 from the EHAP of the State of California for tenant improvements at the Village. The loan is secured by a deed of trust on the property and bears interest at 3.0%. The loan and interest will be forgiven in seven years from the project date of recordation by the County Recorder of the Notice of Completion if certain conditions are met. The Village has drawn approximately $384,000 of the loan as of December 31, 2014. Interest expense related to the loan was approximately $5,000 for 2014. Accrued interest related to the loan was $5,000 for 2014.

In February 2011, the Village obtained a margin loan against its restricted endowment investment account in the amount of $1,000,000 with an interest rate that fluctuates based on the average loan balance for the period. At December 31, 2014, the rate was 3.0%. Interest is paid monthly with income

11. Debt, Cont'd

earned on the investment portfolio. The Village reimburses interest expense to the account on a quarterly basis. The principal balance of the loan is collateralized by the restricted endowment investment portfolio with no required principal payments. The loan continues until paid off or the value of the assets in the investment account decline in value. The Village does not intend to take distributions from the endowment while the margin loan is outstanding. The purpose of the loan is to assist in the funding of general operations. At December 31, 2014 and 2013, the outstanding balance on the loan was approximately $13,000 and $452,000, respectively. Interest expense related to the loan was approximately $12,000 and $15,000 for 2014 and 2013, respectively.

12. Contingent Liability

The Village is contingently liable as guarantor with respect to approximately $10,601,000 and $11,366,000 of indebtedness of S.V.D.P. at December 31, 2014 and 2013, respectively.

The agreements with the bank specific to the above debt require that S.V.D.P. and the Village maintain certain financial and non-financial loan covenants. At December 31, 2014, management is not aware of any violations of these covenants.

In May 2012, S.V.D.P. obtained a $1,275,000 commercial real estate loan from a bank that requires monthly payments, matures on May 16, 2017, has a five year amortization and a five year declining prepayment penalty. The interest is calculated using a fixed 4.50% interest. As of December 31, 2014 and 2013 S.V.D.P. owed approximately $1,197,000 and $1,227,000, respectively, on the loan. MVK and the Village are both guarantors on the loan. These loans are cross collateralized by deeds of trust, an Assignment of Rents and Commercial Security Agreement. The loans have both financial and reporting requirements. At December 31, 2014, management is not aware of any violations of these covenants.

13. Temporarily Restricted Net Assets

The Village's temporarily restricted net assets are comprised of the following:

December 31,	**2014**	2013
Restricted for purpose:		
Educational purposes of children	**$ 1,038,969**	$ -
Toussaint Academy San Diego	**217,931**	410,765
Restricted for use in future periods:		
Pledge receivable	**1,459,751**	-
Charitable remainder trust	**369,143**	384,769
Pooled income fund	**135,804**	150,599
Un-appropriated earnings on donor-restricted permanent endowment	**131,434**	243,397
Gift annuity	**36,290**	167,131
Totals	**$ 3,389,322**	$ 1,356,661

14. Permanently Restricted Net Assets

The Village has adopted the guidance on net asset classification of donor-restricted endowment funds as described in the authoritative guidance. The Village's permanently restricted net assets are comprised of the following:

December 31,	**2014**	2013
Restricted for use in future periods:		
General Endowment	**$ 2,796,776**	$ 2,633,980
Beneficial interest in perpetual trusts:		
St. Vincent de Paul Village Fund	**576,724**	580,655
McEvoy Trust	**441,275**	420,715
Charles and Lucille Borgerding Fund	**192,899**	195,633
Totals	**$ 4,007,674**	$ 3,830,983

The Village's endowment funds consist of four individual funds, several containing donor restrictions, established to provide funding for general operations, education and children's programs. In accordance with the authoritative guidance, net assets associated with the endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Village has classified 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, (c) accumulations to

14. Permanently Restricted Net Assets, Cont'd

the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund and (d) market gains, losses and earnings in excess of distributions from endowment funds under the control of a third party. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted assets until those amounts are appropriated for expenditure by the Village in a manner consistent with the standard of prudence prescribed by the State of California's Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with UPMIFA, the governing board may appropriate for expenditure for the uses and purposes for which an endowment fund is established. As such, much of the net realized and unrealized appreciation in the fair value of the assets of an endowment fund over the historic dollar value of the fund is considered prudent, unless the donor's intention is indicated in the endowment.

Endowment net asset composition by the type of fund for the year ended December 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 131,434	$ 4,007,674	$ 4,139,108

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2014	$ -	$ 243,397	$ 3,830,983	$ 4,074,380
Change in value of split-interest agreements	-	-	60,048	60,048
Net realized and unrealized loss	-	(111,963)	-	(111,963)
Contributions	-	-	167,121	167,121
Release from restriction	-	-	(50,478)	(50,478)
Endowment net assets, December 31, 2014	$ -	$ 131,434	$ 4,007,674	$ 4,139,108

14. Permanently Restricted Net Assets, Cont'd

Endowment net asset composition by the type of fund for the year ended December 31, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 243,397	$ 3,830,983	$ 4,074,380

Changes in endowment net assets for the year ended December 31, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2013	$ -	$ 119,728	$ 3,727,291	$ 3,847,019
Change in value of split-interest agreements	-	-	97,420	97,420
Net realized and unrealized gain	-	123,669	-	123,669
Contributions	-	-	57,800	57,800
Release from restriction	-	-	(51,528)	(51,528)
Endowment net assets, December 31, 2013	$ -	$ 243,397	$ 3,830,983	$ 4,074,380

The Village has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Village must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, the funds are invested in a manner intended to produce approximately 5.0% greater than the rate of inflation on a total return basis. Actual returns in any given year may vary from this expected return.

To satisfy its long-term rate-of-return objectives, the Village relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Village uses a diversified asset allocation to achieve its long-term objectives within prudent risk parameters.

The Village's policy is to appropriate for distribution each year 5.0% of the endowment fund's fair value at a specified time during the year. In establishing the policy, the Village considered the long-term expected return

14. Permanently Restricted Net Assets, Cont'd

on its endowment. Accordingly, over the long-term, the Village expects the current spending policy to allow its endowment to grow at an average annual rate equal to the general inflation rate. This is consistent with the Village's objective to maintain the purchasing power of the endowment assets held in perpetuity for a specified term as well as to provide additional real growth through new gifts and investment return.

15. Fair Value Measurement

The Village measures fair value at the price that would be received upon sale of an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Authoritative guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2: Unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Significant unobservable inputs for the asset or liability.

15. Fair Value Measurement, Cont'd

The following table summarizes the valuation of the Village's fair value measurements in accordance with authoritative guidance at December 31, 2014:

Asset Category	Level 1	Level 2	Level 3	Total
Equities:				
Technology	$ 1,486	$ -	$ -	$ 1,486
Other	22,755	-	-	22,755
Mutual funds:				
Large blend/growth/value	312,173	-	-	312,173
Bank loan	46,946	-	-	46,946
Bond funds	387,388	-	-	387,388
Small blend	44,708	-	-	44,708
World allocation	54,365	-	-	54,365
Other	88,480	-	-	88,480
Municipal bonds	20,084	-	-	20,084
Sub-total investments	978,385	-	-	978,385
Pooled income fund		-	160,754	160,754
Charitable remainder trust	-	-	369,143	369,143
Cash surrender value insurance	-	-	202,826	202,826
Beneficial interest in gift annuity	-	-	109,199	109,199
Beneficial interest in perpetual trusts	-	-	1,252,047	1,252,047
Endowment funds:				
Financial equities	1,011,648	-	-	1,011,648
Bond funds	1,101,105	-	-	1,101,105
Foreign securities	335,016	-	-	335,016
Commodities broad basket	185,972	-	-	185,972
Diversified emerging markets	186,163	-	-	186,163
Small value	108,306	-	-	108,306
Large growth	-	-	-	-
Sub-total endowment funds	2,928,210	-	-	2,928,210
Total assets measured at fair value	$3,906,595	$ -	$ 2,093,969	$ 6,000,564

15. Fair Value Measurement, Cont'd

The following table summarizes the Village fair value measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2014:

	Pooled Income Fund	Charitable Remainder Trust	Cash Surrender Value Insurance	Beneficial Interest in Gift Annuity	Beneficial Interest in Perpetual Trusts	Total
Balance at January 1, 2014	$ 180,021	$ 384,769	$ 167,093	$ 384,481	$ 1,244,764	$ 2,361,128
Contributions	-	-	-	-	4,325	4,325
Distributions	(3,564)	-	-	(137,963)	(53,159)	(194,686)
Change in valuation related to actuarial tables or other observable inputs	(15,703)	(15,626)	35,733	(137,319)	56,117	(76,798)
Balance at December 31, 2014	$ 160,754	$ 369,143	$ 202,826	$ 109,199	$ 1,252,047	$ 2,093,969

The following table represents the Village's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Charitable remainder trust	$ 369,143	Present value of beneficial interests	Discount rate Years remaining	3.25% 14.1
Beneficial interest in gift annuity	$ 109,199	Present value of beneficial interests	Discount rate Years remaining	3.25% 3.4 - 10.8
Pooled income fund	$ 160,754	Present value of beneficial interests	Discount rate Years remaining	3.25% - 9.00% 8.0 – 23.0

15. Fair Value Measurement, Cont'd

The following table summarizes the valuation of the Village's fair value measurements in accordance with authoritative guidance at December 31, 2013:

Asset Category	Level 1	Level 2	Level 3	Total
Equities:				
Technology	$ 5,610	$ -	$ -	$ 5,610
Industrials	2,134	-	-	2,134
Other	15,704	-	-	15,704
Mutual funds:				
Large blend/growth/value	315,936	-	-	315,936
Bank loan	42,897	-	-	42,897
Bond funds	345,858	-	-	345,858
Small blend	44,830	-	-	44,830
World allocation	58,709	-	-	58,709
Other	82,984	-	-	82,984
Municipal bonds	125,877	-	-	125,877
Sub-total investments	1,040,539	-	-	1,040,539
Pooled income fund	-	-	180,021	180,021
Charitable remainder trust	-	-	384,769	384,769
Cash surrender value insurance	-	-	167,093	167,093
Beneficial interest in gift annuity	-	-	384,481	384,481
Beneficial interest in perpetual trusts	-	-	1,244,764	1,244,764
Endowment funds:				
Financial equities	690,297	-	-	690,297
Bond funds	1,065,116	-	-	1,065,116
Foreign securities	366,312	-	-	366,312
Commodities broad basket	219,166	-	-	219,166
Diversified emerging markets	206,444	-	-	206,444
Small value	109,669	-	-	109,669
Large growth	220,373	-	-	220,373
Sub-total endowment funds	2,877,377	-	-	2,877,377
Total assets measured at fair value	$ 3,917,916	$ -	$ 2,361,128	$ 6,279,044

15. Fair Value Measurement, Cont'd

The following table summarizes the Village fair value measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2013:

	Pooled Income Fund	Charitable Remainder Trust	Cash Surrender Value Insurance	Beneficial Interest in Gift Annuity	Beneficial Interest in Perpetual Trusts	Total
Balance at January 1, 2013	$ 194,058	$ 389,726	$ 126,169	$ 370,341	$ 1,205,918	$ 2,286,212
Distributions	(4,071)	-	-	(53,347)	(50,046)	(107,464)
Change in valuation related to actuarial tables or other observable inputs	(9,966)	(4,957)	40,924	67,487	88,892	182,380
Balance at December 31, 2013	$ 180,021	$ 384,769	$ 167,093	$ 384,481	$ 1,244,764	$ 2,361,128

The following table represents the Village's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Charitable remainder trust	$ 384,769	Present value of beneficial interests	Discount rate Years remaining	3.25% 14.3
Beneficial interest in gift annuity	$ 384,481	Present value of beneficial interests	Discount rate Years remaining	3.25% 3.4 - 11.0
Pooled income fund	$ 180,021	Present value of beneficial interests	Discount rate Years remaining	3.25% - 9.50% 8.0 – 20.0

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. The Village's Board of Directors assesses and approves these policies and procedures. At least annually, Management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

15. Fair Value Measurement, Cont'd

Investments in common stock and mutual funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real time quotes for transactions in active exchange markets involving identical assets.

All assets have been valued using a market approach, except for Level 3 assets. Level 3 assets are valued using the income approach. Fair values for assets in Level 3 are calculated using assumptions about discounted cash flow and other present value techniques as discussed below. There were no changes in the valuation techniques used during the current year.

Pooled income funds consist of contributions from many donors that are pooled and invested as a group. Donors receive the income until their death. Upon their death, the value of their asset reverts to the Village. The assets are composed of investment grade fixed income securities which become Level 3 when adjusted using actuarial tables to estimate the remaining lives of the participants and an appropriate interest rate (ranging from 3.25% – 9.00%) to calculate the net present value of the trust.

Beneficial interest in a charitable remainder trust is an asset that will be received upon the death of the donor. While the trust itself is composed of common stock, fixed income securities and mutual funds, the value of those assets is adjusted using actuarial tables to estimate the remaining life of the donor and an appropriate interest rate to calculate the net present value of the trust.

Cash surrender value of life insurance policies are those policies where the donor has identified the Village as the beneficiary. The value is predetermined by the insurance company as the value to be paid if the policy were to be surrendered prior to the death of the insured. In February 2011, the Village obtained three policy loans totaling approximately $364,000 on the life insurance policies of which the Village has been named as the beneficiary. The notes have annual interest rates that vary between 5.15% and 7.40% which are required to be paid annually. Principal payments are encouraged but have no payment schedule as these amounts reduce the death benefits and cash surrender value of the policies. Interest expense related to the loans was approximately $21,000 for 2014 and 2013.

15. Fair Value Measurement, Cont'd

Beneficial interests in gift annuities are an arrangement whereby the donor contributes assets to the Village in exchange for a promise by the Village to pay them a fixed amount for a specified period of time. The underlying assets are composed of cash equivalents or fixed income securities adjusted using actuarial tables to estimate the remaining life of the donor and an appropriate interest rate (3.25% at December 31, 2014) to calculate the net present value of the asset.

Beneficial interests in perpetual trusts are an arrangement whereby a donor establishes and funds a perpetual trust that is administered by a third party. The Village has the irrevocable right to receive the income earned on the trusts assets in perpetuity, but will never receive the assets. The fair value of the beneficial interest in perpetual trusts approximates the expected future cash receipts from the trusts assets.

Endowment funds are established by donor-restricted gifts to provide a permanent source of income. The donor may place time and/or purpose restrictions on the use of the funds. The endowment funds are invested in money market, mutual funds and equity and debt securities.

16. Commitments and Contingencies

Litigation

In the normal course of business, the Village is occasionally named as a defendant in various claims. It is the opinion of management that the outcome of any claims would not materially affect the operations or the financial position of the Village.

17. Subsequent Events

The Village has evaluated subsequent events through May 26, 2015, which is the date the financial statements were available to be issued.