SAVE-A-PET, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2013

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Warady & Davis LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Save-A-Pet, Inc.
Grayslake, Illinois

We have audited the accompanying financial statements of SAVE-A-PET, INC. (an Illinois nonprofit Organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SAVE-A-PET, INC. as of December 31, 2013 and 2012, 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.

Warady + Davis LLP

July 22, 2014

STATEMENTS OF FINANCIAL POSITION

As of December 31	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	**$ 1,696,408**	$ 1,055,059
Investments, at Fair Value	**768,304**	588,253
Contributions Receivable	**52,109**	17,000
Bequests Receivable	**75,000**	20,627
Inventory	**3,695**	15,422
Prepaid Expenses	**20,598**	17,177
Total Current Assets	**2,616,114**	1,713,538
NONCURRENT ASSETS		
Long-Term Bequests Receivable	**—**	35,000
Property and Equipment, net of Accumulated Depreciation and Amortization	**1,412,877**	1,410,516
Website, net of Accumulated Amortization	**9,255**	716
Total Noncurrent Assets	**1,422,132**	1,446,232
	$ 4,038,246	$ 3,159,770
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	**$ 37,213**	$ 65,369
Accrued Expenses	**1,143**	2,544
Accrued Wages and Payroll Taxes	**12,589**	9,185
Accrued Vacation	**8,979**	11,077
Total Current Liabilities	**59,924**	88,175
NET ASSETS		
Unrestricted	**3,765,699**	2,874,395
Temporarily Restricted	**207,601**	192,178
Permanently Restricted	**5,022**	5,022
Total Net Assets	**3,978,322**	3,071,595
	$ 4,038,246	$ 3,159,770

See accompanying notes.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31	2013				2012			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES								
Support								
Contributions								
Donations and Grants	**$ 784,539**	**$ 107,709**	**$**	**$ 892,248**	$ 743,347	$ 186,073	$	$ 929,420
Bequests	**1,160,456**	**75,000**		**1,235,456**	31,252	18,627		49,879
	1,944,995	**182,709**		**2,127,704**	774,599	204,700		979,299
Merchandise Sales	**8,173**			**8,173**	9,448			9,448
Less: Cost of Sales	**(8,950)**			**(8,950)**	(2,875)			(2,875)
	(777)			**(777)**	6,573			6,573
Special Event Revenue	**94,479**			**94,479**	113,504			113,504
Less: Cost of Direct Benefits to Donors	**(49,198)**			**(49,198)**	(54,174)			(54,174)
	45,281			**45,281**	59,330			59,330
Total Support	**1,989,499**	**182,709**		**2,172,208**	840,502	204,700		1,045,202
Program Services								
Animal-Related Fees	**117,765**			**117,765**	102,902			102,902
Other Revenues								
Interest and Dividends	**18,664**			**18,664**	16,906			16,906
Realized/Unrealized Net Gains on Investments	**137,880**			**137,880**	47,947			47,947
Miscellaneous	**2,329**			**2,329**	1,289			1,289
Total Other Revenues, net	**158,873**			**158,873**	66,142			66,142
Net Assets Released from Restrictions								
Expiration of Purpose Restrictions	**111,659**	**(111,659)**		**—**	178,222	(178,222)		—
Expiration of Time Restrictions	**55,627**	**(55,627)**		**—**	69,882	(69,882)		—
	167,286	**(167,286)**		**—**	248,104	(248,104)		—
Total Support and Revenue	**2,433,423**	**15,423**		**2,448,846**	1,257,650	(43,404)		1,214,246
EXPENSES								
Animal Welfare Program	**1,249,382**			**1,249,382**	1,148,753			1,148,753
Supporting Services								
Management and General	**175,168**			**175,168**	142,558			142,558
Fundraising and Development	**117,569**			**117,569**	123,508			123,508
Total Supporting Services	**292,737**			**292,737**	266,066			266,066
Total Expenses	**1,542,119**			**1,542,119**	1,414,819			1,414,819
CHANGE IN NET ASSETS	**891,304**	**15,423**		**906,727**	(157,169)	(43,404)		(200,573)
Net Assets, Beginning of Year	**2,874,395**	**192,178**	**5,022**	**3,071,595**	3,031,564	235,582	5,022	3,272,168
NET ASSETS, ENDING	**$ 3,765,699**	**$ 207,601**	**$ 5,022**	**$ 3,978,322**	$ 2,874,395	$ 192,178	$ 5,022	$ 3,071,595

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2013

	Animal Welfare Program	Supporting Services: Management and General	Supporting Services: Fundraising and Development	Supporting Services: Total Supporting Services	Total Expenses
Salaries	$ 466,848	$ 47,484	$ 60,936	$ 108,420	$ 575,268
Payroll Taxes and Employee Benefits	78,395	6,988	8,968	15,956	94,351
Health, Food, and Other Shelter Supplies	205,686	—	—	—	205,686
Amortization of Website Design	567	127	567	694	1,261
Promotion/Advertising	4,897	126	10,754	10,880	15,777
Insurance	49,377	5,628	2,754	8,382	57,759
Office Supplies	17,222	5,167	12,055	17,222	34,444
Newsletter	20,353	536	536	1,072	21,425
Bank Charges and Credit Card Fees	3,539	4,617	3,539	8,156	11,695
Investment Fees	—	10,122	—	10,122	10,122
Depreciation and Amortization Expense	74,874	1,971	1,970	3,941	78,815
Dues, Subscriptions and Licenses	—	1,012	—	1,012	1,012
Postage	1,181	3,851	5,136	8,987	10,168
Professional Fees	9,628	71,076	8,000	79,076	88,704
Telephone	6,957	912	912	1,824	8,781
Rent	—	7,952	—	7,952	7,952
Repairs and Maintenance	10,049	5,769	264	6,033	16,082
Training	1,413	—	—	—	1,413
Transportation	3,166	—	—	—	3,166
Utilities	27,484	723	723	1,446	28,930
Veterinary Services	267,581	—	—	—	267,581
Miscellaneous	165	1,107	455	1,562	1,727
TOTAL EXPENSES	$ 1,249,382	$ 175,168	$ 117,569	$ 292,737	$ 1,542,119

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended December 31, 2012

	Animal Welfare Program	Supporting Services: Management and General	Fundraising and Development	Total Supporting Services	Total Expenses
Salaries	$ 428,029	$ 58,948	$ 58,948	$ 117,896	$ 545,925
Payroll Taxes and Employee Benefits	73,078	6,858	9,210	16,068	89,146
Health, Food, and Other Shelter Supplies	187,210	—	—	—	187,210
Amortization of Website Design	1,290	287	1,290	1,577	2,867
Promotion/Advertising	1,137	1,218	10,741	11,959	13,096
Insurance	34,455	4,163	1,447	5,610	40,065
Office Supplies	5,666	1,700	3,966	5,666	11,332
Newsletter	28,602	584	—	584	29,186
Bank Charges and Credit Card Fees	3,809	6,095	3,809	9,904	13,713
Investment Fees	—	9,572	—	9,572	9,572
Depreciation and Amortization Expense	61,608	1,621	1,621	3,242	64,850
Dues, Subscriptions and Licenses	—	101	—	101	101
Loss on Disposal of Property and Equipment	2,354	62	62	124	2,478
Postage	796	1,108	790	1,898	2,694
Professional Fees	15,448	33,221	8,000	41,221	56,669
Telephone	6,469	912	1,234	2,146	8,615
Rent	—	8,721	8,435	17,156	17,156
Repairs and Maintenance	11,654	3,409	307	3,716	15,370
Training	650	—	—	—	650
Transportation	2,815	—	—	—	2,815
Utilities	28,707	755	2,051	2,806	31,513
Veterinary Services	254,894	—	—	—	254,894
Miscellaneous	82	3,223	11,597	14,820	14,902
TOTAL EXPENSES	$ 1,148,753	$ 142,558	$ 123,508	$ 266,066	$ 1,414,819

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ **906,727**	$ (200,573)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities		
Depreciation	**78,815**	64,850
Amortization of Website Design	**1,261**	2,867
Loss on Disposal of Property and Equipment	**—**	2,478
Realized/Unrealized Net Gains on Investments	**(137,880)**	(47,947)
Donated Stock	**(5,088)**	—
Donated Unsold Auction Items Included in Inventory	**—**	(12,814)
Donated Property and Equipment	**(58,421)**	—
Donated Equipment Maintenance		
Contracts for Future Periods	**(14,214)**	—
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Contributions Receivable	**(35,109)**	16,174
Bequests Receivable	**(19,373)**	51,255
Inventory	**11,727**	3,508
Prepaid Expenses	**10,793**	7,073
Increase (Decrease) in:		
Accounts Payable	**(28,156)**	7,491
Accrued Expenses	**(1,401)**	(14,591)
Accrued Wages and Payroll Taxes	**3,404**	2,496
Accrued Vacation	**(2,098)**	5,664
Total Adjustments	**(195,740)**	88,504
Net Cash Provided (Used) by Operating Activities	**710,987**	(112,069)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	**(22,755)**	(51,272)
Website Development Costs	**(9,800)**	—
Proceeds from Sales of Investments	**414,152**	241,585
Purchases of Investments	**(451,235)**	(252,818)
Net Cash Used by Investing Activities	**(69,638)**	(62,505)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**641,349**	(174,574)
Cash and Cash Equivalents, Beginning	**1,055,059**	1,229,633
CASH AND CASH EQUIVALENTS, ENDING	$ **1,696,408**	$ 1,055,059
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash Activities		
Donated Goods and Services	$ **69,321**	$ 49,724

See accompanying notes.

ORGANIZATION ACTIVITIES

Save-A-Pet, Inc. (the Organization) is an Illinois not-for-profit organization. The Organization was established for the purpose of maintaining an animal shelter (with a no-kill policy) for the aid, comfort, lodging, humane care, welfare and safety of animals. Major sources of revenues are contributions from the general public, fundraising events, bequests and program fees.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

BASIS OF PRESENTATION

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

FINANCIAL STATEMENT PRESENTATION

The financial statement presentation follows the provisions of the FASB Codification topic related to Financial Statements of Not-for-Profit Organizations. This guidance requires the Organization to report information regarding its financial position and activities, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations plus those resources for which temporarily donor-imposed stipulations have been satisfied. Unrestricted net assets may otherwise be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets - Amounts that are stipulated by donors for specific operating purposes, the acquisition of equipment or use in future periods. When a donor restriction expires (i.e., 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 statements of activities as net assets released from restriction.

Permanently restricted net assets - Amounts that are stipulated by donors to be maintained in perpetuity. Investment income, including realized and unrealized gains and losses, are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

RECOGNITION OF SUPPORT AND REVENUES

The Organization accounts for contributions received and unconditional promises to give, including bequests under the provisions of the FASB Codification topic related to contributions made and received. In accordance with the Codification, contributions are recognized as support or revenue when received. Unconditional promises to give are recognized at the estimated present value of future cash flows, net of allowances. All contributions are considered available for unrestricted use unless specifically restricted by the donor or by laws and regulations.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Organization considers all highly-liquid instruments purchased with original maturities of three months or less to be cash equivalents.

INVESTMENTS

The Organization follows the provisions of the FASB Codification for accounting for investments held by not-for-profit organizations. This standard requires that investments in marketable securities be accounted for at fair value. Fair value is based on quoted market prices. Realized gains and losses are the differences between the proceeds received and the cost of investments sold. Unrealized gains and losses are the differences between the fair value and the cost of investments and are included in earnings.

The Organization's investments are comprised of common stock, mutual funds, and exchange traded funds. Interest and dividend income, and realized and unrealized gains and losses on investments are recognized in the statements of activities.

INVENTORY

Inventory consists of merchandise purchased for the shelter gift shop and items donated for auction at various events which remained in the Organization’s possession at December 31, 2013 and 2012. Purchased inventory is reflected at cost determined on the first-in, first-out (FIFO) method.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost when purchased or fair value as of the date of the gift, if donated. The Organization's policy is to capitalize all purchases of property and equipment greater than $1,000. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets as follows:

Asset	Years
Building and Building Improvements	5 - 40
Furniture and Equipment	3 - 7
Vehicles	5
Computers and Software	3 - 5

WEBSITE

The Organization developed a new website in November 2013 at a cost of $9,800. The website was capitalized and will be amortized for three years. The previous website was fully amortized and disposed of in 2013 upon the development of the new website. Accumulated amortization was $545 for 2013 and $7,884 for 2012. Amortization expense was $1,260 for 2013 and $2,867 for 2012. Amortization expense will be $3,267 for 2014 and 2015, and $2,721 for 2016.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IN-KIND DONATIONS AND CONTRIBUTED SERVICES

The financial statements reflect amounts for in-kind contributions for which an objective basis is available to measure their value. Revenues are reflected in contributions, and the expenses are recorded in the corresponding functional expense category in the accompanying statements of activities. The Organization has recorded in-kind contributions of goods, which include pet food, medical, health, shelter, maintenance, computer, and office supplies, and inventory of unsold auction inventory items at their estimated fair values of $31,476 for 2013 and $50,573 for 2012. In 2013, the Organization also received a donated vehicle valued at $6,000, donated computer and office equipment of $52,422 as well as deferred maintenance contracts on the equipment valued at $14,214. No similar amounts were received in 2012. Additionally, the Organization received donated veterinary services of $17,463 in 2013 and $11,090 in 2012, website services of $-0- in 2013 and $500 in 2012, consulting services of $20,000 in 2013 and $-0- in 2012, and donated facilities of $381 in 2013 and $375 in 2012.

Due to the uncertainty of selling donated thrift store merchandise, no contributions were recorded at the time of donation and no inventory was maintained for these donated items. Proceeds from the sales of thrift store merchandise were recorded at the time of sale and were reported in the statements of activities. The Organization ceased operating the thrift store in 2012.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in its programs in the furtherance of its purposes. No amounts have been recognized in the statements of activities because the criteria for recognition under the FASB Codification topic related to contributions made and received have not been satisfied.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities are presented on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management.

NOTE 2—TAX-EXEMPT STATUS

The Organization is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly classified by the State of Illinois. Accordingly, the accompanying financial statements do not reflect income tax expense.

The Organization follows the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Organization has taken or expects to take in its tax returns. Under the guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is "more likely than not” that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Organization believes that it has appropriate support for the positions taken on its returns.

The Organization files its forms 990 in the federal jurisdiction and the office of the state's attorney general for the State of Illinois. The Organization is generally no longer subject to examination by the Internal Revenue Service or the State of Illinois for years before 2010.

NOTE 3—INVESTMENTS

Investments consist of the following for the years ended December 31:

	2013	2012
Common Stock:		
Basic Materials	$ **114,480**	$ 106,667
Technology	**81,834**	83,745
Financial Services	**57,478**	84,136
Healthcare	**138,669**	113,760
Industrial Goods	**48,750**	50,450
Other Services	**50,694**	31,153
Other	**111,460**	49,051
Total Common Stock	**603,365**	518,962
Mutual Funds:		
Large Blend	**28,403**	24,529
Large Value	**37,750**	32,286
Total Mutual Funds	**66,153**	56,815
Exchange Traded Funds:		
Financial Services	**41,144**	—
Precious Metals	—	12,476
Other	**57,642**	—
Total Exchange Traded Funds	**98,786**	12,476
Total Investments	$ **768,304**	$ 588,253

Investment income for the years ended December 31:

	2013	2012
Net Realized Gains	$ **34,409**	$ 18,919
Net Unrealized Gains	**103,471**	29,028
	$ **137,880**	$ 47,947

NOTE 4—FAIR VALUE MEASUREMENTS

The FASB Codification provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure 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.

NOTE 4—FAIR VALUE MEASUREMENTS (Continued)

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.

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013.

Level 1 Fair Value Measurements

Fair values for the Organization's common stock, mutual funds, and exchange traded funds were based on quoted market prices at December 31, 2013 and 2012.

Level 2 Fair Value Measurements

The Organization has no level 2 investments at December 31, 2013 and 2012.

Level 3 Fair Value Measurements

The Organization has no level 3 investments at December 31, 2013 and 2012.

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.

NOTE 5—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2013	2012
Land	**$ 174,941**	$ 174,941
Building	**1,729,402**	1,729,402
Building Improvements	**279,450**	274,834
Furniture and Equipment	**214,883**	158,461
Vehicles	**24,068**	18,068
Computers and Software	**41,383**	27,244
	2,464,127	2,382,950
Accumulated Depreciation and Amortization	**1,051,250**	972,434
	$ 1,412,877	$ 1,410,516
Depreciation and Amortization Expense	**$ 78,815**	$ 64,850

NOTE 6—RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 were as follows:

	2013	2012
Time Restricted - Bequests	$ **75,000**	$ 55,627
Training	**1,350**	1,350
Washer and Dryer	—	14,500
Behavior Therapy	**2,495**	2,495
Therapy Room	—	19,100
Capital Campaign	**128,756**	99,106
	$ **207,601**	$ 192,178

Satisfaction of restrictions for the years ended December 31 were for the following:

	2013	2012
Satisfaction of Time Restrictions	$ **55,627**	$ 69,882
Washer and Dryer	**14,500**	—
Spay/Neutering	—	16,450
Specific Pet Care	**22,483**	10,764
Training	—	650
Behavior Therapy	—	22,505
Capital Campaign	**7,320**	27,465
Special Needs	**57,533**	62,762
Medical and Healthcare	**9,823**	37,626
	$ **167,286**	$ 248,104

During 2013, amounts totaling $19,100 which had originally been restricted for the therapy room were re-designated to the capital campaign fund by the donor.

Permanently restricted net assets of $5,022 at December 31, 2013 and 2012 are restricted to investments in perpetuity, the income from which is expendable to benefit the animals.

NOTE 7—ENDOWMENT FUNDS

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

NOTE 7—ENDOWMENT FUNDS (Continued)

The Organization has not adopted investment and spending polices related to endowment funds due to the insignificant balance. The practice is to attempt to provide a predictable stream of funding to the programs supported by its endowment.

Endowment net asset composition by type of fund as of December 31, 2013 and 2012 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ —	$ —	$ 5,022	$ 5,022

Changes in endowment net assets as of December 31, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2013	$ —	$ —	$ 5,022	$ 5,022
Investment Income	—	3	—	3
Amounts Appropriated for Expenditure	—	(3)	—	(3)
Endowment Net Assets, December 31, 2013	$ —	$ —	$ 5,022	$ 5,022

Changes in endowment net assets as of December 31, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2012	$ —	$ —	$ 5,022	$ 5,022
Investment Income	—	5	—	5
Amounts Appropriated for Expenditure	—	(5)	—	(5)
Endowment Net Assets, December 31, 2012	$ —	$ —	$ 5,022	$ 5,022

NOTE 8—LEASE COMMITMENTS

The Organization leases office equipment under long-term lease agreements. In 2011, the Organization entered into a new copier lease replacing the old copier lease prior to the end of the term, with the new copier lease to expire in 2016. Also commencing in 2011, the Organization entered into a vending machine lease to expire in 2015. The Organization also leases a number of storage units located throughout the northern suburbs of Illinois. These leases are renewed annually at rates varying from $50 per month to $392 per month. Rent expense was $20,260 for 2013 and $25,835 for 2012, including equipment lease payments of $12,308 for 2013 and $7,087 for 2012 which are reported in office supplies and equipment lease payments of $-0- for 2013 and $1,592 for 2012 which are reported in postage on the statements of functional expenses.

Future minimum rental payments for these equipment leases are as follows:

Year Ending December 31	
2014	$ 7,087
2015	6,911
2016	3,735
	$ 17,733

NOTE 9—CONCENTRATION OF CREDIT AND MARKET RISK

The Organization maintains cash and cash equivalents in various financial institutions, for which the balances may exceed federally insured limits at various times during the year. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Investments are exposed to risks in the market. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near-term and that such changes could materially affect the Organization and the amounts reported in the statements of activities.

NOTE 10—RELATED PARTY TRANSACTIONS

Donations of $5,396 were received from Board members during 2013. Donations of $4,734 were received from Board members during 2012.

NOTE 11—LITIGATION

The Organization is a defendant in certain lawsuits arising in the normal course of its activities. In accordance with U.S. generally accepted accounting principles, the Organization recognizes such contingencies in the financial statements when it is both probable that a material liability has been incurred and the amount can be reasonably estimated.

During 2012, the Organization’s insurance paid $15,000 to settle a lawsuit on their behalf. No amounts were accrued for losses as of December 31, 2013 or December 31, 2012.

NOTE 12—RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 13—SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 22, 2014, the date which the financial statements were available for issue. There were no subsequent events which require disclosure.