THE BROTHER'S BROTHER FOUNDATION
Pittsburgh, Pennsylvania

Financial Statements
For the year ended December 31, 2013

and Independent Auditors' Report Thereon

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Brother's Brother Foundation
Pittsburgh, Pennsylvania

We have audited the accompanying statements of financial position of The Brother's Brother Foundation (Foundation) as of December 31, 2013, and the related statements of activities, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. The prior-year summarized comparative information pertaining to the Foundation has been derived from the Foundation's 2012 financial statements, and, in our report dated June 24, 2013, we expresses an unqualified opinion on those 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 Foundation'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 Foundation'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 the Foundation as of December 31, 2013 and 2012, and the changes in net assets, functional expenses and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
June 9, 2014

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THE BROTHER’S BROTHER FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	December 31 2013	December 31 2012
ASSETS		
Cash and cash equivalents	$ 1,430,042	$ 863,358
Accounts receivable	107,115	146,218
Investments	5,194,177	6,539,085
Inventory	33,729,997	27,961,369
Prepaid expenses	31,731	27,028
Property and equipment, net	1,666,053	1,153,567
Total Assets	$42,159,115	$36,690,625
LIABILITIES		
Accounts payable and accrued liabilities	$ 142,218	$ 148,997
NET ASSETS		
Unrestricted	40,735,860	35,625,011
Temporarily restricted	885,750	555,431
Permanently restricted	395,287	361,186
Total Net Assets	42,016,897	36,541,628
Total Liabilities and Net Assets	$42,159,115	$36,690,625

See notes to financial statements.

THE BROTHER'S BROTHER FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013
(With Comparative Totals for 2012)

	Unrestricted		
	General Operating	In-Kind	Total
REVENUE AND PUBLIC SUPPORT			
Donated materials and supplies	-	$240,691,215	$240,691,215
Individuals	$ 803,192	-	803,192
Foundations	140,604	-	140,604
Program service fees	694,732	-	694,732
Corporations	35,044	-	35,044
Civic and social clubs	9,896	-	9,896
Religious organizations	19,499	-	19,499
	1,702,967	240,691,215	242,394,182
Investment income	433,281	-	433,281
Rental income	38,625	-	38,625
Other Income	225	-	225
Net assets released from restrictions	438,080	-	438,080
Total Revenue and Public Support	2,613,178	240,691,215	243,304,393
FUNCTIONAL EXPENSES			
Program services	2,015,999	235,119,273	237,135,272
Support services:			
Management and general	796,484	-	796,484
Fundraising	261,788	-	261,788
Total Support Services	1,058,272	-	1,058,272
Total Functional Expenses	3,074,271	235,119,273	238,193,544
Changes in Net Assets	(461,093)	5,571,942	5,110,849
NET ASSETS			
Beginning of year	7,742,418	27,882,593	35,625,011
End of year	$7,281,325	$ 33,454,535	$ 40,735,860

See notes to financial statements.

Temporarily Restricted	Permanently Restricted	Total 2013	Total 2012
-	-	$240,691,215	$292,616,288
$437,179	-	1,240,371	1,732,246
228,602	-	369,206	299,004
-	-	694,732	775,226
14,386	-	49,430	32,599
45,923	-	55,819	12,665
35,396	-	54,895	35,292
761,486	-	243,155,668	295,503,320
-	$ 41,014	474,295	487,780
-	-	38,625	39,000
-	-	225	3,503
(431,167)	(6,913)	-	-
330,319	34,101	243,668,813	296,033,603
-	-	237,135,272	284,143,322
-	-	796,484	682,921
-	-	261,788	207,532
-	-	1,058,272	890,453
-	-	238,193,544	285,033,775
330,319	34,101	5,475,269	10,999,828
555,431	361,186	36,541,628	25,541,800
$885,750	$395,287	$ 42,016,897	$ 36,541,628

THE BROTHER'S BROTHER FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
(With Comparative Totals for 2012)

	Program Services			
	International Education	International Health	International Humanitarian	Total
Educational materials	$68,365,010	-	-	$ 68,365,010
Medical equipment and supplies	-	$166,551,079	-	166,551,079
Humanitarian supplies	-	-	$203,184	203,184
Grants	177,641	150,880	-	328,521
Packaging and shipping	119,314	327,789	276	447,379
Salaries	161,691	269,730	-	431,421
Payroll taxes	11,715	19,445	-	31,160
Pension	5,949	9,456	-	15,405
Employee benefits - other	10,830	21,966	-	32,796
Consulting services	-	-	-	-
Outside services	987	64,480	-	65,467
Utilities	7,173	13,320	-	20,493
Printing expense	99	341	-	440
Maintenance	4,374	8,213	-	12,587
Telephone	-	484	-	484
Postage	-	20,843	-	20,843
Training expense	60	111	-	171
Audit and accounting	-	-	-	-
Insurance	5,232	9,716	-	14,948
Office supplies	4,810	12,210	-	17,020
Purchased program supplies	-	495,834	-	495,834
Miscellaneous	366	1,139	-	1,505
Meals	60	1,900	-	1,960
Truck expense	3,329	6,772	-	10,101
Travel	2,507	23,843	-	26,350
Rent	1,804	4,144	-	5,948
Dues and subscriptions	25	367	-	392
Total Expenses Before Depreciation	68,882,976	168,014,062	203,460	237,100,498
Depreciation	12,171	22,603	-	34,774
Total Functional Expenses	$68,895,147	$168,036,665	$203,460	$237,135,272

See notes to financial statements.

Support Services			Total	
Management and General	Fundraising	Total	2013	2012
-	-	-	$ 68,365,010	$124,906,852
-	-	-	166,551,079	156,862,501
-	-	-	203,184	309,010
$ 3,600	-	$ 3,600	332,121	539,000
-	-	-	447,379	418,578
410,151	$151,658	561,809	993,230	827,946
35,759	10,234	45,993	77,153	64,004
19,079	7,784	26,863	42,268	41,950
24,032	6,964	30,996	63,792	55,376
4,163	-	4,163	4,163	11,541
23,800	42,731	66,531	131,998	102,797
4,105	-	4,105	24,598	21,639
10,293	11,337	21,630	22,070	17,898
35,734	795	36,529	49,116	44,519
11,834	-	11,834	12,318	9,607
3,174	11,000	14,174	35,017	29,009
125	-	125	296	539
25,559	-	25,559	25,559	34,353
10,248	-	10,248	25,196	24,010
21,721	10,197	31,918	48,938	39,526
-	-	-	495,834	547,673
28,769	1,674	30,443	31,948	24,737
9,247	520	9,767	11,727	7,249
1,714	-	1,714	11,815	4,262
20,418	4,885	25,303	51,653	38,175
73,919	-	73,919	79,867	11,240
2,915	2,009	4,924	5,316	4,066
780,359	261,788	1,042,147	238,142,645	284,998,057
16,125	-	16,125	50,899	35,718
$796,484	$261,788	$1,058,272	$238,193,544	$285,033,775

THE BROTHER'S BROTHER FOUNDATION

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

	2013	2012
OPERATING ACTIVITIES		
Changes in net assets	$ 5,475,269	$10,999,828
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	50,899	35,716
Realized and unrealized gain on investment, net	(466,465)	(478,379)
Inventory	(5,768,628)	(10,533,459)
Changes in assets and liabilities:		
Accounts receivable	39,103	(35,140)
Prepaid expenses	(4,703)	(2,662)
Accounts payable and accrued liabilities	(6,779)	45,623
Net Cash (Used In) Provided By Operating Activities	(681,304)	31,527
INVESTING ACTIVITIES		
Proceeds from sale of investments	1,811,373	-
Purchases of property and equipment	(563,385)	(72,755)
Purchases of investments	-	(1,094,956)
Cash Provided By (Used In) Investing Activities	1,247,988	(1,167,711)
Net Increase (Decrease) In Cash And Cash Equivalents	566,684	(1,136,184)
CASH AND CASH EQUIVALENTS		
Beginning of year	863,358	1,999,542
End of year	$ 1,430,042	$ 863,358

See notes to financial statements.

NOTE 1 - ORGANIZATION

The Brother's Brother Foundation (Foundation) is an organization formed for the purpose of coordinating efforts and resources for the benefit of the ill and needy worldwide. The Foundation promotes international health and education through the distribution and provision of donated medical, educational and other resources. During 2013, the Foundation expanded operations and opened a new location in northern Virginia.

The Foundation depends principally upon cash donors, donors of materials and supplies and third-party reimbursement arrangements to carry out its program activities. The Foundation seeks reimbursement for certain costs related to carrying out its programs, including freight, distribution and overhead costs. Net related program service fees recognized in the accompanying financial statements for the years ended December 31, 2013 and 2012 were $694,732 and $775,226, respectively.

The Foundation's six largest contributors donated medical and educational materials that aggregated 93% and 90% of all contributed materials in 2013 and 2012, respectively. During 2013 and 2012, there were four contributors who donated 10% or more of medical and educational materials received in each year. One contributor gave 39%; two contributors gave 15%; and one contributor gave 14% of the total received in 2013. One contributor gave 30%; one contributor gave 27%; one contributor gave 15% and one contributor gave 11% of the total received in 2012.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets and Changes Therein - The Foundation classifies and reports net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

> Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.
>
> Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be satisfied by actions of the Foundation and/or the passage of time.
>
> Permanently Restricted Net Assets - Net assets subject to the donor-imposed stipulation that the assets be maintained permanently by the Foundation. These assets are invested in a separate investment account to ensure the funds are maintained in perpetuity. The Foundation's investment policy in relation to these funds has been to invest in a multi-asset mutual fund, which operates on a multi-manager basis and seeks to exceed inflation by 5% per year.

All unconditional donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is satisfied), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When the Foundation receives a contribution of a long-lived asset or a financial asset designated for acquisition of a long-lived asset that is not subject to a donor stipulation as to how long the asset must be used, the receipt of the related contribution is reported as unrestricted support.

Cash and Cash Equivalents - The Foundation maintains, in several banks in the United States, cash that may at times exceed federally insured amounts. In addition, the Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. All cash equivalents held by investment managers are included in investments. At December 31, 2013 and 2012, the Foundation had $885,750 and $555,431, respectively, of restricted funds.

Accounts Receivable - Accounts receivable are primarily composed of program service fees and are recorded at the amount management expects to collect from balances outstanding. Based on management's assessment of the credit history of those having outstanding balances and current relationships with the Foundation, it believes that realization of losses on balances outstanding at December 31, 2013 and 2012 will be immaterial. It is reasonably possible that the Foundation's estimate of the allowance for doubtful accounts will change. As of December 31, 2013 and 2012, no allowance for doubtful accounts is considered necessary.

Investments - The Foundation has an investment policy seeking total return on the Foundation's permanent endowment. The income to be utilized by operations is calculated in accordance with contractual agreements and state statutes. Investments are stated at fair value determined by quoted market prices in accordance with the Accounting for Certain Investments Held by Not-for-Profit Organizations topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification or ASC). The annual market adjustments are reported as investment income.

Inventory - Inventory consists of undistributed in-kind materials at year-end. The Foundation receives a substantial amount of in-kind goods from various regional and national donors, primarily consisting of medical and educational materials. These materials are included in the financial statements at amounts that approximate fair values on the date of donation. In accordance with FASB ASC topic Fair Value Measurements and Disclosures, fair value was determined using transactional data in similar markets. For example, the valuation methodology for donated pharmaceuticals utilized published reimbursement pricing guidelines from federal (Center for Medicare and Medicaid Services - CMS) and state (West Virginia State Maximum Allowable Cost - WV SMAC) sources as a primary reference. The valuation methodology for donated educational materials utilized net price, which according to publishers is the lowest price that the title will be available. The total of all net prices provided is divided by the total number of units donated to calculate an average cost per unit. The average cost is then multiplied by the total units to determine fair value. The Foundation evaluates the fair value of the inventory donated during the year and may make additional adjustments based on their evaluation. During 2013 and 2012, inventory adjustments based on the fair value at the date of donation, mostly related to the Foundation's planned decision to destroy medical supplies, totaled approximately $660,000 and $2,800,000, respectively, and are included as in-kind program services on the accompanying statement of activities and changes in net assets, as well as medical equipment and supplies on the accompanying statement of functional expenses.

Property and Equipment - Property and equipment are recorded at the lower of cost or fair value at the date of contribution, with depreciation provided on the straight-line method over estimated useful lives. All purchases of property and equipment over $500 are capitalized. Repairs and maintenance that do not extend the lives of the applicable assets are expensed as incurred. Gain or loss from the retirement or other disposition of assets is included in the statement of activities and changes in net assets. Upon identification of indicators of impairment, management first compares the carrying value of its long-lived assets to the undiscounted cash flows of such assets. If the carrying value is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds fair value. Fair values are determined based on quoted market value, discounted cash flows or appraisals, as applicable. There were no such impairments identified during 2013 or 2012.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Shipping and Handling Costs - The Foundation records the costs of shipping and handling in program services. These costs were approximately $447,000 and $419,000 for the years ended December 31, 2013 and 2012, respectively.

Income Taxes - The Foundation is a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and is also classified as an entity that is not a private foundation under the meaning of Section 509(a) of the IRC. In addition, the Foundation has not identified any material uncertain tax positions requiring an accrual or disclosure in the financial statements. The Foundation is no longer subject to examinations by taxing authorities in any major tax jurisdiction for years before December 31, 2010.

NOTE 3 - INVESTMENTS

Investments are presented in the financial statements at fair value. Fair value and related cost basis at December 31 are as follows:

	2013		2012	
	Fair	Cost	Fair	Cost
Money Market Fund	$ 21,666	$ 21,666	$ 113,888	$ 113,888
Fixed-Income Mutual Funds	1,359,419	1,390,715	3,479,958	3,414,232
U.S. Common Stocks	-	-	399,736	319,145
Equity Mutual Funds	739,633	700,517	2,439,383	2,356,495
Other Equity Funds	-	-	106,120	108,694
TIFF Multi Asset fund	3,073,459	3,227,495	-	-
Total Investments	$ 5,194,177	$ 5,340,393	$ 6,539,085	$ 6,312,454

TIFF Multi Asset Fund is a mutual fund consisting of a variety of investments, including cash equivalents, global stocks, high-yield bonds, commodities, REITs, inflation and inflation-linked bonds.

Investment income for the years ended December 31 is composed of the following:

	2013	2012
Interest	$ 917	$ 2,042
Dividends	124,181	120,534
General and administrative expense	(40,957)	(34,393)
Endowment transfer	6,913	6,605
Capital gains and other additions	346,367	45,707
Realized and unrealized gains, net	36,874	347,285
	$ 474,295	$ 487,780

NOTE 3 - INVESTMENTS (Continued)

Investments are exposed to various risks such as interest rate, market and credit risks. The Foundation's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the Foundation's investment policy. The degree and concentration of credit risk varies by type of investment. Due to the level of risk associated with certain investments, it is possible that changes in the values of investments could occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

NOTE 4 - FAIR VALUE MEASUREMENT

The Foundation has implemented FASB ASC topic Fair Value Measurement and Disclosures, which defines fair value, establishes a framework for its measurement and expands disclosures about fair value measurement. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date.

The framework provides a fair value 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 as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. As of December 31, 2013 and 2012, the Foundation's investments in equity and fixed-income mutual funds, other equity funds, money market funds, common stock and TIFF Multi Asset Fund are within this level of the fair value hierarchy.

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 markets; and
- Data by correlation or other means

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

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

The carrying value of the Foundation's financial instruments, including cash and cash equivalents, accounts receivable, prepaid expenses and accounts payable and accrued liabilities, approximates their fair value due to their short-term nature.

The Foundation did not have any financial assets or liabilities categorized as Level 3 at December 31, 2013 and 2012.

NOTE 5 - INVENTORY

The Foundation's inventory at December 31 is summarized as follows:

	2013	2012
Pharmaceuticals	$ 26,402,783	$ 24,032,462
Medical equipment and supplies	2,106,350	2,054,679
Education	5,146,356	1,817,767
Humanitarian	74,508	56,461
	$ 33,729,997	$ 27,961,369

NOTE 6 - PROPERTY AND EQUIPMENT

The Foundation's property and equipment at December 31 are summarized as follows:

	2013	2012
Building and improvements	$ 1,528,985	$ 1,147,645
Equipment and furniture	288,424	154,641
Land	213,201	213,201
	2,030,610	1,515,487
Less - Accumulated depreciation	364,557	361,920
Property and equipment, net	$ 1,666,053	$ 1,153,567

NOTE 7 - RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2013 and 2012 of $885,750 and $555,431, respectively, are available for worldwide health and educational programs. Temporarily restricted assets available for use in the Philippines Typhoon Disaster totaled approximately $387,000 at December 31, 2013. In addition, temporarily restricted assets available for use in the Liberia Medical Project totaled approximately $149,000 and $109,000 at December 31, 2013 and 2012, respectively, and Behan Warehouse Renovation totaled approximately $132,000 and $176,000 at December 31, 2013 and 2012, respectively.

Temporarily restricted net assets were released as follows:

	2013	2012
Health and welfare activities	$ 431,167	$ 635,407

Permanently restricted net assets at December 31, 2013 and 2012 of $395,287 and $361,186, respectively, are restricted to investments in perpetuity. See Note 8 for additional disclosures relating to the permanently restricted net assets.

NOTE 8 - ENDOWMENT

The endowment consists of an investment fund established primarily for programming and operating needs of the Foundation and includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Trustees of the Foundation has elected to be governed by the Commonwealth of Pennsylvania's Act 141 (Act 141) for the donor-restricted endowment funds. Act 141 is a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's permanently restricted investments as income each year. However, the long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount. On an annual basis, the Board must elect, in writing, a spending rate of between 2% and 7%. This percentage is applied to the average market value of the investments at the end of the prior year. Average market value is based on the previous 12 quarters. The Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The undistributed amounts earned are included in permanently restricted net assets as well. In accordance with Act 141, the Foundation has adopted a written investment policy, of which a section specifically relates to the endowment fund. The Foundation considers the following factors in making a determination to set a spending rate:

1. Protecting the corpus of the endowment fund;
2. Preserving the spending power of the assets;
3. Obtaining maximum investment return with reasonable risk and operational consideration; and
4. Complying with applicable laws.

Donor-restricted endowment funds comprise the permanently restricted net asset balance of $395,287 and $361,186 at December 31, 2013 and 2012, respectively.

Change in the endowment fund for the years ended December 31 is represented as follows:

	2013	2012
Endowment net assets beginning of year	$ 361,186	$ 325,000
Investment return:		
Investment income	7,100	7,339
Net appreciation	37,133	38,380
	44,233	45,719
Appropriation of endowment assets for expenditure	(6,913)	(6,605)
General and administrative expense	(3,219)	(2,928)
Endowment net assets end of year	$ 395,287	$ 361,186

NOTE 8 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding for programs and initiatives supported by the endowment. The policies are also intended to protect the integrity of the assets and achieve the optimal return possible within the specified risk parameters. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark of equity and fixed-income peer groups.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Foundation 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 Foundation targets a diversified asset allocation viewing the assets as having a long-term horizon with moderate liquidity needs, and has taken a long-term investment posture, which favors equity holdings.

Spending Policy and How the Investment Objectives Relate to Spending Policy - In accordance with Act 141, the Foundation annually transfers between 2% and 7% of the previous three years' market value average of the endowment fund to unrestricted net assets for use in operations. In 2013 and 2012, the spendable return totaled 2% or $7,000 in both years. This spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

NOTE 9 - GIFTS-IN-KIND

Recognition of gifts-in-kind (GIK) revenue is limited to such contributions that the Foundation takes possession of, or constructive title to, as the original recipient; are received and/or handled in partnership with an end-user agency; or are used in Foundation programs.

The Foundation also assists as an agent in the shipment of GIK that are designated for other charitable organizations. The value of these shipments is minimal and is not reflected in the accompanying financial statements, since the Foundation does not have variance power over these transactions.

NOTE 10 - RETIREMENT PLANS

The Foundation has a noncontributory pension plan covering all qualified personnel. Contributions to the plan are determined by the Foundation but are limited to 15% of the total compensation of the participants for the year. The Foundation's contributions to the plan approximated $42,000 for both 2013 and 2012.

In addition, the Foundation has a Section 403(b) plan covering substantially all employees. Participants may contribute up to 15% of their compensation, but the plan does not provide for contributions by the Foundation.

NOTE 11 - ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and support services benefited based on an analysis of staff time spent on, and/or floor space dedicated to, the related activities.

NOTE 12 - LEASES

During May 2013, the Foundation entered into an operating lease agreement for the rental of warehouse space through April 2016. The terms of the lease agreement called for monthly base rent of approximately $5,442 for the first year with approximately 3% annual escalations, thereafter, and additional monthly operating expense overhead charges and a two-month abatement period. Rental expense for the warehouse amounted to approximately $68,000 at December 31, 2013, while total rental expense amounted to approximately $80,000 and $11,000 at December 31, 2013 and 2012, respectively.

Future minimum rental payments under the operating leases are expected to be as follows:

Year Ending December 31		Base Rent
2014	$	66,600
2015		68,600
2016		23,100
	$	158,300

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the balance sheet date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through June 9, 2014, the date on which the financial statements were available to be issued.