



GT REILLY
& COMPANY
CPAs and Advisors

Audited Financial Statements

Hale Reservation, Inc.

December 31, 2014

Hale Reservation, Inc.

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December 31, 2014

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424 Adams Street, Milton MA 02186-4358

T. 617.696.8900 / F. 617.698.1803

www.gtreilly.com

Independent Auditors' Report

Board of Directors
Hale Reservation, Inc.

We have audited the accompanying financial statements of Hale Reservation, Inc., which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Corporation'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 Corporation'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 Hale Reservation, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

G.T. Reilly & Company

Milton, Massachusetts
May 15, 2015

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

Hale Reservation, Inc.

Statements of Financial Position

December 31

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 621,365	\$ 669,163
Accounts receivable, net of allowance	25,421	41,244
Contributions receivable, current portion, net of allowance	128,605	28,031
Prepaid expenses	19,238	35,138
TOTAL CURRENT ASSETS	<u>794,629</u>	<u>773,576</u>
PROPERTY AND EQUIPMENT, net	5,412,694	5,428,682
CONTRIBUTIONS RECEIVABLE, net of discount, allowance & current portion	1,474	9,702
MARKETABLE SECURITIES	<u>1,070,758</u>	<u>1,039,157</u>
TOTAL ASSETS	<u>\$ 7,279,555</u>	<u>\$ 7,251,117</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 8,353	\$ 8,006
Accounts payable	62,566	88,962
Accrued expenses and withholdings	72,680	18,715
Deferred revenue	69,997	166,704
TOTAL CURRENT LIABILITIES	<u>213,596</u>	<u>282,387</u>
LONG-TERM DEBT, less current portion	<u>336,563</u>	<u>344,808</u>
TOTAL LIABILITIES	<u>550,159</u>	<u>627,195</u>
NET ASSETS		
Unrestricted	5,852,564	5,851,145
Temporarily restricted	445,731	342,133
Permanently restricted	431,101	430,644
TOTAL NET ASSETS	<u>6,729,396</u>	<u>6,623,922</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,279,555</u>	<u>\$ 7,251,117</u>

Hale Reservation, Inc.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
SUPPORT				
Gifts, grants and other support	\$ 585,008	\$ 333,320	\$ -	\$ 918,328
Net assets released from restrictions through satisfaction of restrictions	<u>274,822</u>	<u>(274,822)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT	<u>859,830</u>	<u>58,498</u>	<u>-</u>	<u>918,328</u>
REVENUE				
Program revenue	1,797,620	-	-	1,797,620
Investment income	50,039	30,804	411	81,254
Other income	400	-	-	400
Gain (loss) on marketable securities	<u>(43,863)</u>	<u>14,296</u>	<u>46</u>	<u>(29,521)</u>
TOTAL REVENUE	<u>1,804,196</u>	<u>45,100</u>	<u>457</u>	<u>1,849,753</u>
TOTAL SUPPORT AND REVENUE	<u>2,664,026</u>	<u>103,598</u>	<u>457</u>	<u>2,768,081</u>
EXPENSES				
Program services	2,172,843	-	-	2,172,843
General and administrative	297,821	-	-	297,821
Fundraising	<u>191,943</u>	<u>-</u>	<u>-</u>	<u>191,943</u>
TOTAL EXPENSES	<u>2,662,607</u>	<u>-</u>	<u>-</u>	<u>2,662,607</u>
CHANGE IN NET ASSETS	1,419	103,598	457	105,474
NET ASSETS, BEGINNING OF YEAR	5,851,145	342,133	430,644	6,623,922
NET ASSETS, END OF YEAR	<u>\$ 5,852,564</u>	<u>\$ 445,731</u>	<u>\$ 431,101</u>	<u>\$ 6,729,396</u>

Hale Reservation, Inc.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
SUPPORT				
Gifts, grants and other support	\$ 480,169	\$ 324,509	\$ -	\$ 804,678
Contributed services	1,098	-	-	1,098
In-kind contributions	15,000	-	-	15,000
Net assets released from restrictions through satisfaction of restrictions	305,860	(305,860)	-	-
TOTAL SUPPORT	802,127	18,649	-	820,776
REVENUE				
Program revenue	1,874,919	-	-	1,874,919
Investment income	19,063	30,006	401	49,470
Other income	3,170	-	-	3,170
Gain (loss) on marketable securities	66,617	66,046	(5)	132,658
Gain on sale of land	295,500	-	-	295,500
Loss on disposal of property and equipment	(1,156)	-	-	(1,156)
TOTAL REVENUE	2,258,113	96,052	396	2,354,561
TOTAL SUPPORT AND REVENUE	3,060,240	114,701	396	3,175,337
EXPENSES				
Program services	2,042,965	-	-	2,042,965
General and administrative	257,860	-	-	257,860
Fundraising	171,634	-	-	171,634
TOTAL EXPENSES	2,472,459	-	-	2,472,459
CHANGE IN NET ASSETS	587,781	114,701	396	702,878
NET ASSETS, BEGINNING OF YEAR	5,263,364	227,432	430,248	5,921,044
NET ASSETS, END OF YEAR	\$ 5,851,145	\$ 342,133	\$ 430,644	\$ 6,623,922

Hale Reservation, Inc.

Statement of Functional Expenses

Year Ended December 31, 2014

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,241,400	\$ 70,074	\$ 101,318	\$ 1,412,792
Pension plan contribution	25,977	4,604	4,954	35,535
Other employee benefits	67,460	4,409	8,370	80,239
Payroll taxes	80,253	10,484	13,953	104,690
Legal and accounting	14,106	1,500	2,706	18,312
Office supplies	18,565	8,199	4,138	30,902
Telephone	16,717	2,821	223	19,761
Postage and shipping	6,607	511	4,517	11,635
Utilities	14,965	35,083	-	50,048
Insurance (non-vehicles)	83,804	22,580	511	106,895
Insurance (vehicles)	6,576	855	-	7,431
Building repairs	8,349	13,145	-	21,494
Care of grounds	60,515	2,212	-	62,727
Janitorial	7,394	6,802	69	14,265
Equipment operating costs	8,790	14,465	168	23,423
Vehicle operating costs	14,627	17,738	881	33,246
Printing and publications	33,598	2,414	15,534	51,546
Conferences and meetings	2,703	9,637	7,904	20,244
Interest	-	17,474	-	17,474
Depreciation	239,786	18,797	8,056	266,639
Program materials	76,137	1,457	12,016	89,610
Bad debts	4,532	-	-	4,532
Other services	35,782	30,264	5,980	72,026
Transportation	90,770	-	-	90,770
Food	13,430	240	645	14,315
Real estate taxes	-	2,056	-	2,056
	<u>\$ 2,172,843</u>	<u>\$ 297,821</u>	<u>\$ 191,943</u>	<u>\$ 2,662,607</u>

Hale Reservation, Inc.

Statement of Functional Expenses

Year Ended December 31, 2013

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,152,342	\$ 53,620	\$ 84,051	\$ 1,290,013
Pension plan contribution	20,220	2,290	3,841	26,351
Other employee benefits	41,821	7,390	8,044	57,255
Payroll taxes	74,337	8,383	13,941	96,661
Legal and accounting	10,214	1,925	1,756	13,895
Office supplies	14,721	7,583	7,050	29,354
Telephone	15,163	3,654	296	19,113
Postage and shipping	4,737	1,114	3,667	9,518
Utilities	10,570	30,136	-	40,706
Insurance (non-vehicles)	74,702	40,024	500	115,226
Insurance (vehicles)	6,443	354	-	6,797
Building repairs	4,836	-	-	4,836
Care of grounds	60,087	528	-	60,615
Janitorial	6,877	2,659	66	9,602
Equipment operating costs	11,196	11,528	176	22,900
Vehicle operating costs	11,137	7,817	147	19,101
Printing and publications	22,496	2,623	18,114	43,233
Conferences and meetings	4,722	7,272	2,287	14,281
Interest	434	30,643	-	31,077
Depreciation	213,544	15,714	6,734	235,992
Program materials	100,464	2,503	13,282	116,249
Bad debts	12,000	2,351	-	14,351
Other services	59,291	16,638	5,931	81,860
Transportation	85,438	-	-	85,438
Food	21,098	285	1,643	23,026
Real estate taxes	4,019	-	-	4,019
Miscellaneous	56	826	108	990
	<u>\$ 2,042,965</u>	<u>\$ 257,860</u>	<u>\$ 171,634</u>	<u>\$ 2,472,459</u>

Hale Reservation, Inc.

Statements of Cash Flows

Year Ended December 31

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 105,474	\$ 702,878
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	266,639	235,992
Allowance for doubtful accounts	806	(301)
Change in deferred revenue	(96,707)	89,947
Loss on disposal of property and equipment	-	1,156
Gain on sale of land	-	(295,500)
In-kind contribution of office furniture	-	(15,000)
Net loss (gain) on marketable securities	29,521	(132,658)
Changes in operating assets and liabilities:		
Accounts receivable	15,017	(38,188)
Contributions receivable, net	(92,346)	77,997
Prepaid expenses	15,900	5,501
Accounts payable	(26,396)	39,010
Accrued expenses and withholdings	53,965	2,858
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>271,873</u>	<u>673,692</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(250,651)	(467,130)
Purchases of marketable securities, net of sales	(61,122)	(41,746)
Proceeds from sale of land	-	284,500
NET CASH USED IN INVESTING ACTIVITIES	<u>(311,773)</u>	<u>(224,376)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	54,750
Payments on long-term debt	(7,898)	(305,332)
NET CASH USED IN FINANCING ACTIVITIES	<u>(7,898)</u>	<u>(250,582)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(47,798)	198,734
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>669,163</u>	<u>470,429</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 621,365</u>	<u>\$ 669,163</u>

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for interest	<u>\$ 17,474</u>	<u>\$ 31,078</u>
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Hale Reservation, Inc.

Notes to Financial Statements

December 31, 2014

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities - Hale Reservation, Inc. (“Hale”) is a not-for-profit organization whose mission is to provide stewardship of its land and resources and to offer educational experiences that foster responsibility, leadership and appreciation for the natural environment. The nature of activities includes outdoor recreation and education for children and families of the Greater Boston area.

Basis of Accounting - The financial statements of Hale have been prepared on the accrual basis of accounting.

Financial Statement Presentation – Hale reports information regarding its financial position and activities according to three classes of net assets determined by donor-imposed restrictions as follows: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At its discretion, the Board of Directors may designate funds for specific purposes. Such board-designated funds are included in unrestricted net assets.

Hale reports grants and contributions in the statement of activities as temporarily restricted support when received, if they are received with donor stipulations that limit, specify or otherwise restrict the use of such contributions. When a donor restriction expires, either by use of the funds for the specified purpose or by the expiration of a time restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions (see Note 8). Contributions are recorded as unrestricted support if the restrictions are met in the year that the contribution is made. Additionally, contributions of donated non-cash assets are recorded at their fair values in the period received.

Contributions established by donor restrictions to permanently maintain the principal, while allowing the use of income generated there from, are classified as permanently restricted net assets. Income derived from the investment of endowment funds is reported as unrestricted revenue or as restricted revenue depending on the terms of the donor instrument. Unrealized gains or losses on endowment fund investments are reported as increases or decreases in temporarily restricted net assets unless the donor explicitly states otherwise (see Note 9).

Accounting Estimates - The presentation 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. Accordingly, actual results could differ from those estimates.

Fair Value Measurements – Hale follows Accounting Standards Codification (ASC) Topic 820, “Fair Value Measurements and Disclosures” for assets and liabilities that are measured at fair value on a recurring basis. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This standard applies to certain other existing accounting pronouncements that require or permit fair value measurements. It does not establish or change any existing requirements for fair value accounting. The application of this standard is limited to the reporting of Hale’s marketable security investments (see Note 3).

Cash Equivalents - For purposes of the statement of cash flows, Hale considers all highly-liquid investments with a maturity of three months or less at the time of acquisition to be cash equivalents.

Note 1 - Nature of Activities and Significant Accounting Policies (Cont.)

Marketable Securities – Marketable Securities are recorded at fair value on the statement of financial position, with the corresponding unrealized gains and losses included in the statement of activities and changes in net assets. Marketable securities are classified as long-term assets, since it is Hale’s intent to hold these securities for more than one year (see Note 3).

Contributions Receivable – Under accounting principles generally accepted in the United States of America, contributions, including unconditional promises to give, are recognized as revenues in the period made. Contributions receivable that are, in effect, “unconditional promises to give” are recorded at the present value of future cash flows. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable may be provided based on management’s judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activity (see Note 2).

Accounts Receivable – Accounts receivable are stated net of an allowance for doubtful accounts on the statement of financial position. The allowance is established via a provision for bad debts charged to operations. On a periodic basis, management evaluates its accounts receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible, based on evaluations of the collectibility of individual accounts, Hale’s history of prior loss experience and on current economic conditions. Accounts are written off and charged against the allowance when management believes that the collectibility of the specific account is unlikely. The allowance for doubtful accounts at December 31, 2014 and 2013 approximates \$3,000 and \$2,200, respectively.

Property and Equipment – Property and equipment are recorded at cost or, in the case of donated assets, at fair market value. Expenditures for maintenance and repairs are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Land improvements	10-20 years
Buildings and improvements	5-30 years
Vehicles	5 years
Docks, boats and equipment	5-20 years
Furniture and office equipment	5 years

Revenue Recognition – Program revenues are recognized in the period services are performed or when the recreation activity is completed. Deferred revenue consists of deposits received in the current year for services and recreation activities applicable to future years.

Hale records contributions as current year revenue if the contribution has been received in response to a solicitation in the current year even though funds are not received until future years.

Income Taxes – Hale is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Hale is also exempt from Massachusetts state income taxes and, therefore, has made no provision for federal or state income taxes in the accompanying financial statements.

Hale files informational tax returns in the U.S. Federal Jurisdiction (IRS Form 990) and the Commonwealth of Massachusetts (Form PC). The Federal and Massachusetts returns for the tax years 2011 and beyond remain subject to examination by the Internal Revenue Service and the Commonwealth of Massachusetts.

Contributed Services – Support arising from contributed services to Hale has been recognized in the accompanying statements of activities and changes in net assets at estimated fair value, with an equal amount recognized as expense.

Note 1 - Nature of Activities and Significant Accounting Policies (Cont.)

Advertising – Hale charges advertising costs to expense as incurred.

Functional Allocation of Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Evaluation of Subsequent Events – In accordance with generally accepted accounting principles, management has evaluated subsequent events involving Hale for potential recognition or disclosure in the accompanying consolidated financial statements. Subsequent events are events or transactions that occurred after December 31, 2014, up through May 15, 2015, the date the accompanying financial statements were available to be issued.

Note 2 - Contributions Receivable

Contributions receivable that are expected to be collected during the next year are classified as current assets. Non-current contributions receivable expected to be collected after one year, have been discounted at 4.79%, and are reflected in the financial statements at their net present value. Included in contributions receivable are the following unconditional promises to give, summarized by use restriction, at December 31:

	<u>2014</u>	<u>2013</u>
Annual appeal & other, unrestricted	\$ 7,580	\$ 100
Capital campaign, restricted	<u>125,776</u>	<u>56,431</u>
Unconditional promises to give before unamortized discount and provision for uncollectible pledges	133,356	56,531
Less unamortized discount	<u>277</u>	<u>3,798</u>
	<u>133,079</u>	<u>52,733</u>
Less provision for uncollectible pledges	<u>3,000</u>	<u>15,000</u>
	<u>\$ 130,079</u>	<u>\$ 37,733</u>
Amounts due in:		
Less than one year	\$ 128,605	\$ 28,031
One to five years	<u>1,474</u>	<u>9,702</u>
	<u>\$ 130,079</u>	<u>\$ 37,733</u>

Note 3 – Marketable Securities

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs under a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three tiers are defined as:

Level 1 - Observable inputs such as quoted prices in active markets.

Level 2 - Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable markets.

Level 3 - Unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions, which are significant to the fair measurement.

Note 3 – Marketable Securities (Cont.)

The following is a schedule of investments at fair value by level within the fair value hierarchy and by industry/segment at:

	Level 1	Level 2	Level 3	Total
December 31, 2014:				
Mutual Funds:				
Large company growth	\$ 231,852	\$ -	\$ -	\$ 231,852
International	109,137	-	-	109,137
Large company value	229,458	-	-	229,458
Small/Medium company growth	114,399	-	-	114,399
Small/Medium company value	110,243	-	-	110,243
Fixed income	107,187	-	-	107,187
Short-term certificates of deposit	-	167,901	-	167,901
Money market funds	581	-	-	581
	\$ 902,857	\$ 167,901	\$ -	\$ 1,070,758
December 31, 2013:				
Mutual Funds:				
Large company growth	\$ 212,192	\$ -	\$ -	\$ 212,192
International	114,839	-	-	114,839
Large company value	211,036	-	-	211,036
Small/Medium company growth	115,552	-	-	115,552
Small/Medium company value	106,934	-	-	106,934
Fixed income	109,925	-	-	109,925
Short-term certificates of deposit	-	167,882	-	167,882
Money market funds	797	-	-	797
	\$ 871,275	\$ 167,882	\$ -	\$ 1,039,157

The level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for investments measured at fair value, including the general description of such instruments pursuant to the valuation hierarchy.

Mutual Funds – These investments are public investment vehicles valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is a quoted price in an active market.

Certificates of Deposit – The fair values of certificates of deposit are estimated by a third-party pricing service. The third-party pricing service uses Level 2 inputs, including the use of pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data.

Money Market Funds – These investments are valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

Marketable securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain marketable securities, it is reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets.

Note 4 – Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2014</u>	<u>2013</u>
Land	\$ 2,394,763	\$ 2,394,763
Land improvements	1,492,674	1,430,818
Buildings and improvements	3,876,750	3,783,827
Vehicles	127,195	127,195
Boats, docks and equipment	474,728	418,233
Furniture and office equipment	122,469	83,093
	<u>8,488,579</u>	<u>8,237,929</u>
Accumulated depreciation	3,075,885	2,809,247
	<u>\$ 5,412,694</u>	<u>\$ 5,428,682</u>

Depreciation expense was \$266,639 and \$235,992 for the years ended December 31, 2014 and 2013, respectively.

Note 5 – Financing Agreements

Line of Credit - In December of 2013, Hale entered into a \$250,000 line of credit agreement with the Dedham Institution for Savings. The interest rate under the agreement is 3.25% and borrowings are collateralized by land and buildings at 535 and 537 Dover Road, Westwood, MA. The agreement expires in December of 2016. There were no outstanding borrowings at December 31, 2014 and 2013.

Long-Term Debt - Long-term debt consists of the following at December 31:

	<u>2014</u>	<u>2013</u>
4.25% construction loan payable to Dedham Institution of Savings, payable in monthly interest installments through October of 2013, then payable in monthly principal and interest installments of \$690 through September of 2042, collateralized by land.	\$ 133,911	\$ 136,399
4.5% note payable to Dedham Institution of Savings, payable in monthly principal and interest installments of \$2,014 through September of 2037, collateralized by a building. In November of 2013 Hale made a principal reduction payment of \$133,319 from the proceeds of the sale of land (see Note 11). The note agreement was modified in December of 2013, lowering the interest rate to 4.25% and the monthly principal and interest installments to \$1,214.	<u>211,005</u>	<u>216,415</u>
	<u>344,916</u>	352,814
Less amounts due within one year	<u>8,353</u>	8,006
Amounts due after one year	<u>\$ 336,563</u>	<u>\$ 344,808</u>

Note 5 – Financing Agreements (Cont.)

Annual principal maturities on long-term debt approximate the following:

Year Ending <u>December 31</u>	
2015	\$ 8,353
2016	8,715
2017	9,093
2018	9,487
2019	9,898
Thereafter	<u>299,370</u>
	<u>\$ 344,916</u>

Note 6 - Pension Plan

Hale maintains a 403(b) defined contribution plan for all of its eligible employees. Employees may elect to defer a percentage of their yearly compensation up to statutory limits. Employer contributions, based on a formula, are made on behalf of employees subject to certain eligibility requirements as to age and length of service. Contributions made for the year ended December 31, 2014 and 2013 totaled \$35,535 and \$26,350 respectively.

Note 7 - Lease Commitments

Hale leases a copier machine, three golf carts and a vehicle. The copier lease requires monthly rent payments of \$534 and expires in August of 2018. The golf carts lease requires six payments of \$725 to be paid from June through November and expires in December of 2017. The vehicle lease requires monthly payments of \$468 and expires in January of 2017. The leases are being reported as operating leases, whereby the payments are charged to expense as incurred under the terms of the agreements. Related rent expense totaled \$19,062 and \$9,708 for the years ended December 31, 2014 and 2013, respectively.

The following is a schedule of future minimum lease payments required under the agreements:

Year Ending <u>December 31</u>	
2015	\$ 16,374
2016	16,374
2017	10,758
2018	<u>3,738</u>
	<u>\$ 47,244</u>

Note 8 – Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes and programs at December 31:

	<u>2014</u>	<u>2013</u>
Capital improvements	\$ 57,736	\$ 98,435
Chapel	2,177	2,177
Floating Classroom	-	6,997
Sensory Station	-	86
Julia's Place	-	36,469
Hale Outdoor Learning Adventure (HOLA)	88,989	57,981
Yawkey grant - water system improvements	41,633	65,170
Yawkey grant - security system upgrades	-	8,613
Yawkey grant - capacity building	159,972	-
Veterans program	10,905	-
Miscellaneous	5,250	-
	<u>366,662</u>	<u>275,928</u>
Unrealized gains on investments related to permanently restricted net assets (Note 9)	79,069	66,205
	<u>\$ 445,731</u>	<u>\$ 342,133</u>

Temporarily restricted net assets released and used for the following purposes during the years ended December 31:

	<u>2014</u>	<u>2013</u>
Capital improvements	\$ 76,456	\$ 228,737
Floating Classroom	6,997	3,957
Sensory Station	86	465
Julia's Place	38,568	-
Hale Outdoor Learning Adventure (HOLA)	53,992	24,019
Yawkey grant - water system improvements	23,537	34,830
Yawkey grant - security system upgrades	8,613	11,387
Yawkey grant - capacity building	64,028	-
Veterans program	295	-
Miscellaneous	2,250	2,465
	<u>\$ 274,822</u>	<u>\$ 305,860</u>

Note 9 - Permanently Restricted Net Assets (Endowment Funds)

Permanently restricted net assets consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Ellen and Richard Flood Endowment Fund was created to benefit needy children and families unable to pay for Hale's programs. Hale has received \$136,975 in contributions, which must be maintained in perpetuity.	\$ 136,975	\$ 136,975
Andrew C. Wood Scholarship Fund was created to benefit needy children and families unable to pay for Hale's programs. The principal and 20 percent of the annual investment income from the fund must be maintained in perpetuity.	30,668	30,211
Hale's general endowment is used to support special projects and for the general operations of Hale.	263,458	263,458
	<u>\$ 431,101</u>	<u>\$ 430,644</u>

Interpretation of Relevant Law – Hale has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift of endowment fund as of the gift date, absent explicit donor stipulations to the contrary. As a result of this interpretation, Hale 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) the value of 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. “Net appreciation” on endowment funds, unless stipulated otherwise, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Hale in a manner consistent with the standard of prudence prescribed by UPMIFA.

Funds with Deficiencies – From time to time, the fair value of assets associated with the individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires Hale to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets.

Endowment Investment and Spending Policy – Hale has adopted an investment philosophy which, combined with the spending rate, attempts to provide a predictable stream of returns thereby making funds available to programs that are supported by its endowment, while at the same time seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of the donor-restricted fund that Hale must hold in perpetuity or for donor-specified periods. Under Hale’s investment policy and spending rate, both of which are approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary. Hale makes distributions from the endowment fund to operations using the total-return method. Under the total-return method, endowment fund distributions consist of net investment income and include a portion of the cumulative realized gains after required increase to principal.

Note 9 - Permanently Restricted Net Assets (Endowment Funds) (Cont.)

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, Hale 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). Hale targets a diversified asset allocation that places greater emphasis on growth than on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>For the year ended December 31, 2014</u>				
Balance at beginning of the year	\$ -	\$ 66,205	\$ 430,644	\$ 496,849
Investment income	-	30,804	411	31,215
Realized and unrealized gains	-	14,296	46	14,342
Appropriated for expenditures	-	(32,236)	-	(32,236)
Balance at end of year	<u>\$ -</u>	<u>\$ 79,069</u>	<u>\$ 431,101</u>	<u>\$ 510,170</u>
 <u>For the year ended December 31, 2013</u>				
Balance at beginning of the year	\$ -	\$ -	\$ 430,248	\$ 430,248
Investment income	-	30,006	401	30,407
Realized and unrealized losses	-	66,046	(5)	66,041
Appropriated for expenditures	-	(29,847)	-	(29,847)
Balance at end of year	<u>\$ -</u>	<u>\$ 66,205</u>	<u>\$ 430,644</u>	<u>\$ 496,849</u>

Note 10 - Financial Instruments, Credit Risk and Concentration Risks

Hale's financial instruments that may be subject to concentrations of credit risk consist of cash, cash equivalents, accounts and contributions receivable, investments in marketable securities and debt.

Hale maintains its cash deposits with several high-quality financial institutions. At December 31, 2014, based on bank balances, Hale has deposits in excess of the federal insured limits of approximately \$300,000. Hale has investments in various mutual funds, certificates of deposit and a money market fund as detailed in Note 3.

Hale receives its support and revenues from individuals, corporations, charitable organizations and foundations located primarily in Massachusetts. During the year ended December 31, 2014, Hale received \$224,000 and \$100,000 of support relating to other initiatives from one foundation and one charitable trust respectively. During the year ended December 31, 2013, Hale received \$100,000 of support relating to the capital campaign from one foundation and \$195,000 of support relating to other capital improvement initiatives from another foundation, one corporation and one charitable organization. At December 31, 2014, approximately \$112,000 (89%) of contributions receivable were due from one foundation. Also, at December 31, 2014, approximately \$12,000 (43%) of accounts receivable were due from two nonprofit organizations.

At December 31, 2014, all of the debt of Hale is with one financial institution (see Note 5).

Note 11 - Sale of Land

On September 12, 2012, Hale entered into a purchase and sale agreement to sell a parcel of land for \$300,000. The value of the land is insignificant based on its purchase price in 1951. Under the terms of the original purchase and sale agreement, Hale received a deposit of \$11,000 and was to receive a payment of \$139,000 and a \$150,000 mortgage note at the closing. In connection with this sale, the buyer agreed to convey to Hale a parcel of land, which consists primarily of wetlands for \$1.00. Management estimates the value of this parcel of land to be \$300,000.

On April 1, 2013 the purchase and sale agreement was amended to allow the buyer to start clearing the lot prior to the closing in consideration of increasing the deposit to \$16,000 and the deposit becoming non-refundable. The purchase and sale agreement was further amended in late April of 2013. Hale agreed to reduce the purchase price to \$295,500 and in return Hale received full payment of the remaining balance of the purchase price, \$279,500, at the closing in May of 2013. A gain of \$295,500 resulting from this transaction is reflected in the statement of activities and changes in net assets for the year ended December 31, 2013. Proceeds from the sale were used to pay down a portion of Hale's long term debt obligations (see Note 5).