

**RESOURCES FOR HUMAN
DEVELOPMENT, INC. AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
YEARS ENDED JUNE 30, 2014 AND 2013

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report | 2 |
| Financial Statements | |
| Consolidated Statements of Financial Position | 3 |
| Consolidated Statements of Unrestricted Revenues, Expenditures and Other Changes in Unrestricted Net Assets | 4-5 |
| Consolidated Statements of Changes in Net Assets | 6 |
| Consolidated Statements of Functional Expenditures | 7-12 |
| Consolidated Statements of Cash Flows | 13 |
| Notes to Consolidated Financial Statements | 14-34 |
| Supplementary Information | |
| Independent Auditors' Report on Supplementary Information | 35 |
| Consolidating Statements of Financial Position | 36-37 |
| Consolidating Statements of Unrestricted Revenues, Expenditures and Other Changes in Unrestricted Net Assets | 38-39 |
| Consolidating Statements of Changes in Net Assets | 40 |
| Selected Notes to Supplementary Information | 41-42 |

Independent Auditors' Report

Board of Directors and Officers
Resources for Human Development, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Resources for Human Development, Inc. and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of unrestricted revenues, expenditures and other changes in unrestricted net assets, changes in net assets, functional expenditures, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Resources for Human Development, Inc. and Subsidiaries as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Philadelphia, Pennsylvania
December 10, 2014

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

ASSETS

| | 2014 | 2013 |
|--|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 232,438 | \$ 244,884 |
| Limited use cash and cash equivalents, representative payee cash funds | 1,490,930 | 1,348,675 |
| Limited use investments | 585,074 | 493,213 |
| Accounts receivable, net of allowance for doubtful accounts of \$2,083,903 for 2014 and \$2,656,048 for 2013 | 36,570,961 | 41,161,971 |
| Advances and loans, current portion and net of allowance for uncollectible advances and loans of \$100,248 for 2014 and \$111,814 for 2013 | 47,035 | 46,031 |
| Inventory | 650,637 | 603,431 |
| Prepaid expenses | 2,830,501 | 3,219,031 |
| Total current assets | 42,407,576 | 47,117,236 |
| Property and equipment, net | 26,869,227 | 23,686,180 |
| Equity investments in companies | 1,013,259 | 1,156,006 |
| Advances and loans, net of current portion and allowance for uncollectible advances and loans of \$186,476 for 2014 and \$186,439 for 2013 | 194,572 | 214,441 |
| Other assets | 491,664 | 500,582 |
| Total assets | \$70,976,298 | \$72,674,445 |

LIABILITIES AND NET ASSETS

| | 2014 | 2013 |
|---|---------------|---------------|
| Current liabilities: | | |
| Lines of credit and short-term borrowings | \$ 2,170,347 | \$ 1,134,857 |
| Current portion of long-term debt | 1,030,972 | 949,315 |
| Obligation under capital lease | 74,974 | - |
| Accounts payable and accrued expenses | 28,707,313 | 29,411,877 |
| Deferred revenue | 2,250,600 | 2,873,723 |
| Contract advances, current | 226,288 | 53,000 |
| Deferred credits, current | 3,000 | 3,000 |
| Due to custodial clients | 1,490,930 | 1,348,675 |
| | 35,954,424 | 35,774,447 |
| Total current liabilities | | |
| Long-term liabilities: | | |
| Long-term debt, net of current portion | 13,758,186 | 14,790,886 |
| Contract advances, net of current portion | 226,628 | 226,628 |
| Deferred credits, net of current portion | 36,000 | 39,000 |
| Retirement plans, net of current portion | 249,336 | 451,724 |
| Other | 314,863 | 393,010 |
| | 50,539,437 | 51,675,695 |
| Total liabilities | | |
| Net assets: | | |
| Unrestricted | 17,020,883 | 17,450,689 |
| Temporarily restricted | 2,830,904 | 2,692,779 |
| | 19,851,787 | 20,143,468 |
| Total net assets before noncontrolling interests | | |
| Noncontrolling interests | 585,074 | 855,282 |
| | 20,436,861 | 20,998,750 |
| Total net assets | | |
| Total liabilities and net assets | \$ 70,976,298 | \$ 72,674,445 |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF UNRESTRICTED REVENUES, EXPENDITURES
AND OTHER CHANGES IN UNRESTRICTED NET ASSETS
YEARS ENDED JUNE 30, 2014 AND 2013

| | 2014 | 2013 |
|--|--------------------|--------------------|
| Support, revenue and other: | | |
| Support and revenue: | | |
| Federal | \$ 6,565,865 | \$ 5,328,714 |
| Medicaid | 111,230,983 | 104,890,738 |
| Managed care | 39,650,035 | 36,973,040 |
| City of Philadelphia, PA | 22,472,179 | 24,928,060 |
| Montgomery County, PA | 8,427,501 | 7,962,317 |
| Other state and local | 36,546,952 | 32,219,142 |
| Patient/client fees | 12,195,100 | 11,734,332 |
| Other fees and sales | 7,456,244 | 8,196,512 |
| Grants and donations | 1,587,165 | 1,892,568 |
| Interest and miscellaneous | 1,185,966 | 1,208,886 |
| Total unrestricted support and revenue | 247,317,990 | 235,334,309 |
| Net assets released from temporary restrictions | 1,064,556 | 543,925 |
| Total unrestricted support, revenue and other | 248,382,546 | 235,878,234 |
| Expenditures: | | |
| Program | 212,580,033 | 200,183,465 |
| Management and general | 29,565,544 | 28,979,548 |
| Fundraising | 360,049 | 404,408 |
| Other operating | 6,488,608 | 6,479,796 |
| Total expenditures | 248,994,234 | 236,047,217 |
| Loss from operations | (611,688) | (168,983) |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF UNRESTRICTED REVENUES, EXPENDITURES
AND OTHER CHANGES IN UNRESTRICTED NET ASSETS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Other changes in unrestricted net assets: | | |
| Equity in net loss of investments | (137,147) | (256,109) |
| Change in fair value of interest rate swap | 125,387 | 184,644 |
| Total other changes in unrestricted net assets | (11,760) | (71,465) |
| Changes in unrestricted net assets before noncontrolling interests and capital distributions | (623,448) | (240,448) |
| Transfer of capital from noncontrolling interest | 362,069 | - |
| Noncontrolling interests in net (income) loss of investments | (1,760) | 25,328 |
| Changes in unrestricted net assets before capital distributions | (263,139) | (215,120) |
| Capital distributions | (166,667) | (166,667) |
| Changes in unrestricted net assets | \$ (429,806) | \$ (381,787) |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2014 AND 2013

| | 2014 | 2013 |
|--|----------------------|----------------------|
| Unrestricted net assets: | | |
| Total unrestricted support and revenue | \$247,317,990 | \$235,334,309 |
| Net assets released from temporary restrictions | 1,064,556 | 543,925 |
| Total expenditures | (248,994,234) | (236,047,217) |
| Equity in net loss of investments | (137,147) | (256,109) |
| Change in fair value of interest rate swap | 125,387 | 184,644 |
| Noncontrolling interests in net (income) loss of investments | (1,760) | 25,328 |
| Transfer of capital from noncontrolling interest | 362,069 | - |
| Capital distributions | (166,667) | (166,667) |
| | (429,806) | (381,787) |
| Temporarily restricted net assets: | | |
| Contributions | 1,202,681 | 1,055,161 |
| Net assets released from temporary restrictions | (1,064,556) | (543,925) |
| | 138,125 | 511,236 |
| Changes in total net assets before noncontrolling interests | (291,681) | 129,449 |
| Noncontrolling interests: | | |
| Net income (loss) of investments | 1,760 | (25,328) |
| Contributions | 104,380 | 334,891 |
| Distributions | (14,279) | (17,306) |
| Transfer of capital | (362,069) | - |
| | (270,208) | 292,257 |
| Change in total net assets | (561,889) | 421,706 |
| Total net assets, beginning of year | 20,998,750 | 20,577,044 |
| Total net assets, end of year | \$ 20,436,861 | \$ 20,998,750 |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENDITURES
YEAR ENDED JUNE 30, 2014

| Program | SALARIES | BENEFITS | FEES AND SERVICES | OCCUPANCY | COMMUNICA-TIONS | PROGRAM SUPPLIES | TRAVEL AND MISC | SMALL EQUIPMENT AND MAINTENANCE | PROPERTY AND EQUIPMENT | TOTAL |
|--|------------|-----------|-------------------|------------|-----------------|------------------|-----------------|---------------------------------|------------------------|--------------|
| LOWER MERION COUNSELING SERVICES | | | | | | | | | | |
| MH Outpatient | \$ 408,915 | \$ 84,644 | \$ 390,387 | \$ 147,845 | \$ 25,362 | \$ 22,623 | \$ 12,428 | \$ 13,648 | \$ - | \$ 1,105,852 |
| Student Assistance | 4,608 | 1,451 | - | 10,184 | - | - | - | - | - | 16,243 |
| Peer Support | 16,139 | 3,295 | - | 1,160 | 676 | 492 | 1,047 | 1,229 | 2,500 | 26,538 |
| Recovery | 261,107 | 60,026 | 2,441 | 22,077 | 29,564 | 3,110 | 2,377 | 10,839 | - | 391,541 |
| Case Management | 36,261 | 9,878 | - | 4,819 | 1,219 | 50 | - | - | - | 52,227 |
| CONSULTANTS IN CONTEXT | 305,706 | 61,108 | 60,868 | 23,153 | 4,723 | 14,466 | 5,790 | 252 | 8,195 | 484,261 |
| NEW FOUNDATIONS/WELLSPRINGS | 896,990 | 228,200 | 36,970 | 391,140 | 32,246 | 81,573 | 8,403 | 225,304 | 32,700 | 1,933,526 |
| COMPEER | 29,235 | 9,404 | 164 | 8,872 | 6,441 | 4,018 | 2,419 | 15 | - | 60,568 |
| NEW OPTIONS | 537,962 | 156,335 | 16,828 | 142,841 | 20,275 | 84,778 | 6,995 | 81,789 | - | 1,047,803 |
| POSITIVE RESOLUTIONS | 801,273 | 228,393 | 86,922 | 228,586 | 49,197 | 106,226 | 17,639 | 77,411 | - | 1,595,647 |
| COORDINATED HOMELESS OUTREACH CENTER | 667,453 | 200,862 | 39,444 | 79,442 | 13,951 | 160,381 | 8,515 | 45,076 | - | 1,215,124 |
| CRITICAL TIME INTERVENTION | 205,075 | 56,446 | 8,142 | 18,826 | 10,046 | 5,215 | 5,099 | 11,791 | - | 320,640 |
| RISE ABOVE | 392,335 | 85,453 | 209,905 | 68,796 | 16,414 | 18,882 | 5,819 | 2,702 | - | 800,306 |
| METHADONE CENTER | 722,420 | 165,316 | 105,593 | 107,937 | 15,093 | 79,399 | 17,344 | 31,459 | - | 1,244,561 |
| WOMANSPACE ARDMORE | 227,874 | 61,389 | 891 | 52,213 | 5,888 | 40,976 | 1,371 | 18,544 | - | 409,146 |
| FAMILY HOUSE NORRISTOWN | 425,243 | 119,189 | 9,426 | 39,132 | 14,387 | 57,064 | 5,622 | 26,625 | - | 696,688 |
| NOVA II | 27,184 | 9,466 | 2,663 | 13,788 | 344 | 7,103 | 531 | 1,358 | 229 | 62,666 |
| WOMANSPACE PHILADELPHIA | 322,292 | 80,726 | 17,587 | 42,440 | 8,686 | 45,621 | 9,552 | 19,046 | - | 545,950 |
| FAMILY HOUSE PHILADELPHIA | 399,485 | 111,397 | 1,179 | 107,060 | 9,198 | 54,547 | 3,100 | 66,026 | - | 751,992 |
| MORRIS HOUSE | 419,323 | 107,771 | 17,442 | 126,478 | 13,489 | 72,245 | 12,042 | 88,948 | - | 857,738 |
| BEHAVIORIAL HEALTH SERVICES CITY OF PHILA. | 7,922,426 | 2,205,080 | 168,626 | 1,953,006 | 207,966 | 1,070,049 | 98,147 | 878,742 | 114,565 | 14,618,607 |
| NOVA III | 581,412 | 143,870 | 7,385 | 152,071 | 13,707 | 68,965 | 962 | 48,278 | - | 1,016,650 |
| ATR | 2,710 | 433 | - | 13 | - | - | - | - | - | 3,156 |
| TEAM ARRIVE | 891,743 | 216,849 | 18,568 | 59,230 | 44,160 | 22,963 | 36,660 | 28,498 | - | 1,318,671 |
| PENNSYLVANIA IDD | 29,066,667 | 8,392,963 | 1,853,783 | 4,317,232 | 434,334 | 2,162,631 | 499,435 | 2,633,458 | 63,289 | 49,423,792 |
| EARLY INTERVENTION | 158,398 | 41,317 | 276,947 | 18,759 | 7,722 | 4,162 | 2,388 | 3,640 | - | 513,333 |
| RSS BASE | 41,576 | 9,414 | 836 | 10,664 | 382 | 1,755 | 774 | 14,910 | - | 80,311 |
| ADESHA VILLAGE -Department of Autism | 63,646 | 18,156 | 2,311 | 10,606 | 1,390 | 7,274 | 1,192 | 19,374 | - | 123,949 |
| SPECIALIZED TREATMENT SERVICES PA | 161,160 | 39,452 | 2,993 | 60,309 | 6,532 | 3,793 | 4,717 | 11,427 | - | 290,383 |
| RHD BRIDGES | 555,144 | 147,563 | 103,138 | 86,079 | 13,070 | 58,764 | 10,309 | 27,004 | - | 1,001,071 |
| CROMISA | 259,107 | 63,464 | 15,143 | 78,102 | 9,789 | 90,943 | 5,079 | 38,793 | 8,018 | 568,438 |
| CHILDRENS PROGRAMS | | | | | | | | | | |
| CIRT | 101,214 | 23,069 | 646 | 6,294 | 2,025 | 536 | 2,124 | 849 | - | 136,757 |
| COSP | 1,681,562 | 303,249 | 92,541 | 65,422 | 13,935 | 6,362 | 10,636 | 12,074 | - | 2,185,781 |
| High Fidelity Wrap Around | 213,753 | 54,764 | 873 | 26,118 | 6,043 | 4,997 | 8,463 | 4,157 | - | 319,168 |
| Mastery | 630,731 | 152,592 | 48,404 | 8,662 | 1,622 | 13,988 | 934 | 3,420 | - | 860,353 |
| North E3 Center | 14,380 | 1,541 | 2,819 | 165 | 627 | 8,837 | 777 | - | - | 29,146 |
| School Therapeutic Services | 2,447,653 | 585,630 | 600,599 | 66,086 | 30,682 | 33,603 | 5,536 | 36,998 | - | 3,806,787 |
| Stepping Stones | 891,017 | 254,313 | 157,474 | 315,831 | 16,039 | 51,573 | 7,957 | 45,885 | 23,445 | 1,763,534 |
| Acute Partial | 65,609 | 14,068 | 9,924 | 5,165 | 2,752 | 20,558 | 1,980 | 100,185 | 14,536 | 234,777 |
| SUPPORTED ADULT-HUD | 3,201 | 716 | - | 101,118 | - | - | - | - | - | 105,035 |
| MAINSTREAM | 97,404 | 25,706 | - | 1,537 | 1,163 | 36,352 | 24,208 | - | - | 186,370 |
| FAMILIES IN TRANSITION | 154,556 | 31,647 | 6,219 | 209,681 | 4,099 | 8,830 | 4,160 | 4,547 | - | 423,739 |
| PROJECT ADVANTAGE | 335,338 | 99,058 | 7,933 | 79,389 | 12,199 | 34,479 | 1,748 | 43,366 | - | 613,510 |
| NEW START 1 & 2 | 946,862 | 227,297 | 120,222 | 185,484 | 13,883 | 152,877 | 17,507 | 72,768 | 6,225 | 1,743,125 |
| FERNWOOD | 858,446 | 251,133 | 8,586 | 115,239 | 18,206 | 27,528 | 313,466 | 47,561 | - | 1,640,165 |
| FASST/CONNECTIONS | 1,178,628 | 348,085 | 72,372 | 62,295 | 50,652 | 35,379 | 70,779 | 15,318 | - | 1,833,508 |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENDITURES
YEAR ENDED JUNE 30, 2014

| | SALARIES | BENEFITS | FEES AND SERVICES | OCCUPANCY | COMMUNICA-TIONS | PROGRAM SUPPLIES | TRAVEL AND MISC | SMALL EQUIPMENT AND MAINTENANCE | PROPERTY AND EQUIPMENT | TOTAL |
|--|------------------|------------------|-------------------|----------------|-----------------|------------------|-----------------|---------------------------------|------------------------|------------------|
| Program | | | | | | | | | | |
| WOODSTOCK SHELTER | 859,416 | 270,892 | 5,400 | 32,123 | 16,929 | 65,400 | 6,614 | 34,951 | - | 1,291,725 |
| NORTHEAST PENNSYLVANIA (excludes IDD) | | | | | | | | | | |
| Hope House | 439,899 | 116,161 | 51,833 | 35,168 | 6,675 | 26,575 | 1,849 | 20,844 | - | 699,004 |
| New Perspectives - Residential | 829,003 | 218,140 | 71,380 | 44,818 | 21,489 | 33,837 | 8,969 | 60,357 | 15,000 | 1,302,993 |
| New Perspectives - CIT | 105,690 | 27,344 | 2,293 | 2,461 | 1,513 | 2,292 | 1,552 | 50,530 | 57,338 | 251,013 |
| Crossroads Flex Housing Fund | 28,398 | 5,078 | 2,420 | 81,737 | - | 368,393 | 2,574 | 1,895 | - | 490,495 |
| Lehigh County Medical Mobile | 8,533 | 1,710 | - | 94,304 | 41 | 2,194 | 37 | 6,237 | - | 113,056 |
| Lehigh Valley ACT & ICM | 2,254,657 | 565,576 | 459,957 | 242,088 | 90,689 | 83,671 | 213,879 | 99,914 | - | 4,010,431 |
| Work In Progress | 44,784 | 8,884 | 68,513 | 2,925 | 1,095 | 1,938 | - | 5,077 | - | 133,216 |
| Clover Hill Circle | 1,782 | 499 | 54 | 4,513 | - | 1,997 | 268 | 9,265 | 21,311 | 39,689 |
| Power | 286,020 | 82,237 | 2,308 | 36,001 | 11,174 | 9,765 | 7,770 | 25,335 | - | 460,610 |
| Fair Weather Lodge | 280,963 | 72,735 | 5,393 | 113,691 | 8,059 | 79,463 | 15,712 | 75,035 | 174,680 | 825,731 |
| Forensic Re-entry Initiative | 7,061 | 75 | 45,148 | - | - | 66 | 2,329 | - | - | 54,679 |
| LV Housing Support | 12,127 | 2,121 | - | 160,995 | 279 | - | - | 35 | - | 175,557 |
| Crossroads Community Services | 311,888 | 85,776 | 4,602 | 53,538 | 15,637 | 1,854 | 5,092 | 9,841 | - | 488,228 |
| Crossroads ESG - Day Program | 24,523 | 6,137 | - | 3,405 | 2,243 | 2,514 | - | 1,197 | 26,408 | 66,427 |
| Crossroads Individual | 61,207 | 16,377 | - | 227,786 | 6,058 | 5,635 | 1,699 | 19,677 | - | 338,439 |
| Crossroads Supportive Family Housing | 51,312 | 14,884 | - | 142,217 | 3,632 | 13,864 | (130) | 11,713 | 46,406 | 283,898 |
| Crossroads Housing | - | - | - | 645 | - | - | - | - | - | 645 |
| Hope Springs - Lehigh County | 301,164 | 87,620 | 15,449 | 29,915 | 5,611 | 25,461 | 3,236 | 14,883 | 8,100 | 491,439 |
| Hope Springs - Northampton County | 384,185 | 106,802 | 24,592 | 35,684 | 6,356 | 48,239 | 5,861 | 17,146 | 5,580 | 634,445 |
| Youth Hope Crisis Residence | 500 | 42 | - | 90 | - | - | 30 | - | (20,000) | (19,338) |
| CONNECTICUT | 4,640,303 | 1,206,952 | 379,025 | 527,255 | 66,693 | 276,236 | 230,434 | 423,881 | 16,545 | 7,767,324 |
| DELAWARE | | | | | | | | | | |
| Brandywine Hills | 441,091 | 100,765 | 20,545 | 73,970 | 3,080 | 44,484 | 10,972 | 19,504 | - | 714,411 |
| Passages | 790,362 | 177,599 | 40,049 | 140,939 | 9,747 | 78,668 | 21,074 | 52,222 | - | 1,310,660 |
| ACT/ICM | 2,298,891 | 426,443 | 945,488 | 346,990 | 78,511 | 253,742 | 155,355 | 141,925 | - | 4,647,345 |
| Choices | 748,443 | 202,126 | 26,921 | 23,668 | 9,136 | 60,629 | 6,789 | 24,699 | - | 1,102,411 |
| Mainstay Delaware | 693,479 | 174,682 | 14,395 | 112,882 | 23,858 | 70,538 | 11,934 | 16,604 | 55,498 | 1,173,870 |
| Mainstay Delaware - Philadelphia | 166,612 | 54,944 | 2,127 | 29,750 | 2,969 | 15,666 | 661 | 6,549 | - | 279,278 |
| Specialized Treatment Services | 94,716 | 17,532 | 4,552 | 11,928 | 1,595 | 3,111 | 13,054 | - | - | 146,488 |
| FLORIDA | 3,623,664 | 1,077,909 | 63,180 | 461,311 | 57,503 | 339,290 | 41,882 | 363,777 | - | 6,028,516 |
| LOUISIANA | | | | | | | | | | |
| Womanspace | 460,071 | 119,630 | 2,312 | 4,637 | 7,553 | 32,182 | 3,364 | 17,872 | - | 647,621 |
| Family House | 744,504 | 192,204 | 40,311 | 167,861 | 13,109 | 63,357 | 2,808 | 33,179 | - | 1,257,333 |
| Pathways | 310,493 | 74,864 | 1,623 | 208,846 | 17,819 | 32,632 | 7,336 | 26,889 | - | 680,502 |
| Reach-in C.A.R.E. / SAFE | 224,991 | 51,521 | 613 | 19,982 | 5,222 | 8,301 | 7,275 | 11,833 | - | 329,738 |
| ACT Team 1 & 2 | 1,347,945 | 289,512 | 473,036 | 87,575 | 41,224 | 43,247 | 41,346 | 79,372 | (42) | 2,403,215 |
| Shelter Plus Care | - | - | 70 | 81,719 | - | - | - | - | - | 81,789 |
| Metropolitan ACT | 877,207 | 181,707 | 237,246 | 69,730 | 30,291 | 22,534 | 28,372 | 37,474 | (5,284) | 1,479,277 |
| Mobile Crisis | 464,113 | 97,250 | 79,436 | 26,885 | 27,981 | 4,280 | 9,760 | 18,165 | - | 727,870 |
| Metro Crisis | 621,221 | 134,600 | 126,399 | 31,626 | 35,331 | 16,944 | 4,018 | 32,997 | - | 1,003,136 |
| Homeless Outreach | 147,380 | 31,973 | 35 | 7,483 | 3,634 | 3,730 | 229 | 22,228 | - | 216,692 |
| Community Support Team | 240,527 | 53,849 | 206 | 28,105 | 6,286 | 6,458 | 11,852 | 1,952 | - | 349,235 |
| New Hope | 457,807 | 99,322 | 22,872 | 57,373 | 3,418 | 31,125 | 1,444 | 10,484 | - | 683,845 |
| MASSACHUSETTS | 3,432,869 | 888,491 | 22,961 | 936,944 | 73,548 | 323,068 | 40,783 | 288,240 | 30,436 | 6,037,340 |
| MISSOURI | | | | | | | | | | |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENDITURES
YEAR ENDED JUNE 30, 2014

| | SALARIES | BENEFITS | FEES AND SERVICES | OCCUPANCY | COMMUNICA-TIONS | PROGRAM SUPPLIES | TRAVEL AND MISC | SMALL EQUIPMENT AND MAINTENANCE | PROPERTY AND EQUIPMENT | TOTAL |
|--|----------------|---------------|-------------------|---------------|-----------------|------------------|-----------------|---------------------------------|------------------------|----------------|
| Program | | | | | | | | | | |
| St. Louis | 2,434,573 | 730,076 | 18,259 | 503,812 | 42,750 | 134,965 | 125,139 | 136,196 | - | 4,125,770 |
| Kansas City | 1,158,446 | 340,960 | 3,210 | 325,857 | 32,720 | 66,068 | 107,135 | 45,258 | - | 2,079,654 |
| NEBRASKA | | | | | | | | | | |
| Lincoln | 4,942,205 | 1,412,037 | 176,264 | 489,795 | 78,002 | 263,592 | 97,854 | 166,354 | - | 7,626,103 |
| Omaha | 1,197,751 | 288,578 | 73,142 | 161,972 | 37,139 | 80,007 | 30,993 | 87,125 | 24,815 | 1,981,522 |
| NEW JERSEY | | | | | | | | | | |
| Supported Adult-Passaic | 469,114 | 120,871 | 13,592 | 456,164 | 23,498 | 45,994 | 16,177 | 84,264 | (74) | 1,229,600 |
| Supported Adult/RIST-Ocean | 1,421,712 | 304,396 | 34,484 | 1,298,865 | 68,936 | 90,672 | 20,368 | 277,753 | 158,462 | 3,675,648 |
| NEW JERSEY (CONTINUED) | | | | | | | | | | |
| Supported Adult-Tri-County | 513,560 | 118,263 | 9,983 | 348,592 | 20,488 | 15,430 | 13,004 | 48,248 | 16,701 | 1,104,269 |
| Camden Housing Program | 245,420 | 74,644 | 21,719 | 394,561 | 14,469 | 20,497 | 9,250 | 20,403 | - | 800,963 |
| Camden Mainstay | 343,566 | 75,618 | 8,692 | 32,747 | 7,888 | 16,568 | 10,586 | 12,172 | - | 507,837 |
| NORTH CAROLINA | | | | | | | | | | |
| ACT/ESH | 355,137 | 83,605 | 139,079 | 281,333 | 15,409 | 39,344 | 16,862 | 51,915 | - | 982,684 |
| Residential | 1,101,036 | 359,164 | 45,445 | 270,469 | 28,685 | 107,745 | 26,785 | 102,357 | - | 2,041,686 |
| RHODE ISLAND | 1,684,158 | 520,175 | 9,168 | 173,176 | 14,848 | 50,622 | 198,934 | 68,347 | - | 2,719,428 |
| TENNESSEE | | | | | | | | | | |
| IDD | 7,801,992 | 2,183,909 | 113,834 | 240,265 | 109,451 | 124,270 | 180,140 | 595,593 | - | 11,349,454 |
| Supportive Housing | 181,185 | 41,392 | 2,181 | 248,999 | 9,618 | 17,572 | 28,588 | 7,823 | - | 537,358 |
| VIRGINIA | | | | | | | | | | |
| Specialized Treatment Services | 189,672 | 41,531 | 10,953 | 21,292 | 5,028 | 3,906 | 12,285 | 23,509 | 8,500 | 316,676 |
| Rise Above | 63,696 | 14,984 | 1,197 | 46 | 777 | 1,539 | 4,807 | 46 | - | 87,092 |
| FAMILY PRACTICE AND COUNSELING NETWORK | 7,876,219 | 1,674,616 | 3,216,539 | 1,250,461 | 172,087 | 1,131,016 | 102,160 | 192,013 | 854,862 | 16,469,973 |
| NAVIGATOR PROJECT | 313,126 | 58,701 | 359,739 | 14,400 | 49,250 | 12,483 | 25,202 | 20,610 | - | 853,511 |
| SALT CHESTER COUNTY | 231,594 | 58,099 | 12,638 | 46,970 | 5,880 | 25,318 | 6,444 | 23,834 | 29,795 | 440,572 |
| POINT TO POINT | 799,582 | 208,166 | 971 | 75,290 | 35,075 | 5,554 | 372,845 | 261,368 | - | 1,758,851 |
| NEW BEGINNINGS | 528,498 | 119,349 | 484,826 | 62,594 | 39,469 | 141,603 | 46,939 | 14,030 | - | 1,437,308 |
| FUTURE SEARCH | 15,816 | 5,723 | 3,012 | 173 | 1,653 | 5,800 | 1,994 | 32 | - | 34,203 |
| ENDOW-A-HOME | 174,449 | 38,315 | 12,245 | 205,083 | 6,132 | 7,842 | 8,695 | 163,422 | 5,400 | 621,583 |
| HIGH STREET | 58,465 | 14,823 | 35 | 11,234 | 1,875 | 332 | 2,054 | - | - | 88,818 |
| MISCELLANEOUS | 1,051,939 | 193,211 | 150,187 | 209,776 | 11,044 | 62,406 | 496,889 | 194,709 | 51,000 | 2,421,161 |
| Grand Totals | 120,703,935 | 31,916,349 | 12,769,332 | 21,556,835 | 2,738,337 | 9,760,492 | 4,146,243 | 9,504,473 | 1,855,139 | 214,951,135 |
| Property and equipment capitalized | - | - | - | - | - | - | - | - | (1,799,104) | (1,799,104) |
| Change in inventory costs capitalized | - | - | (750) | (12,641) | - | - | (190) | (3,362) | 49,668 | 32,725 |
| Depreciation and amortization expense | - | - | - | - | - | - | - | - | 3,132,220 | 3,132,220 |
| Long term debt principal payments made | - | - | - | (94,281) | - | - | - | - | - | (94,281) |
| Interunit charges and other activity | (54,432) | (6,612) | (184,841) | (1,337,512) | (25) | (34,834) | 1,571 | (1,472,146) | - | (3,088,831) |
| Vacation accrual | (33,682) | 4,744 | - | - | - | - | - | - | - | (28,938) |
| Elimination of program fundraising costs | (175,736) | (39,416) | - | - | (11,400) | - | - | - | - | (226,552) |
| Other consolidated entities | - | - | - | 186,816 | - | - | 26,166 | - | - | 212,982 |
| Elimination of consolidated activity | (58,465) | (14,823) | (314,540) | (119,234) | (1,875) | (332) | (2,054) | - | - | (511,323) |
| Total Program | \$ 120,381,620 | \$ 31,860,242 | \$ 12,269,201 | \$ 20,179,983 | \$ 2,725,037 | \$ 9,725,326 | \$ 4,171,736 | \$ 8,028,965 | \$ 3,237,923 | \$ 212,580,033 |
| Management and General | 17,357,001 | 3,640,179 | 1,734,426 | 2,059,629 | 721,192 | 552,100 | 1,475,864 | 1,254,948 | 6,285,385 | \$ 35,080,724 |
| Property and equipment capitalized | - | - | - | - | - | - | - | - | (6,285,385) | (6,285,385) |
| Depreciation and amortization expense | - | - | - | - | - | - | - | - | 1,172,387 | 1,172,387 |
| Long term debt principal payments made | - | - | - | (161,303) | - | - | - | - | - | (161,303) |
| Elimination of admin fundraising costs | (105,854) | (21,271) | (1,295) | - | (14) | - | (5,061) | - | - | (133,495) |
| Other consolidated entities | - | - | - | - | - | - | 27,784 | - | - | 27,784 |
| Elimination of consolidated activity | - | - | - | - | - | - | (135,168) | - | - | (135,168) |
| Total Management and General | \$ 17,251,147 | \$ 3,618,908 | \$ 1,733,131 | \$ 1,898,326 | \$ 721,178 | \$ 552,100 | \$ 1,363,419 | \$ 1,254,948 | \$ 1,172,387 | \$ 29,565,544 |
| Fundraising | \$ 281,591 | \$ 60,687 | \$ 1,295 | \$ - | \$ 11,415 | \$ - | \$ 5,061 | \$ - | \$ - | \$ 360,049 |

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

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENDITURES
YEAR ENDED JUNE 30, 2013

| Program | SALARIES | BENEFITS | FEES AND SERVICES | OCCUPANCY | COMMUNICATI-ONS | PROGRAM SUPPLIES | TRAVEL AND MISC | SMALL EQUIPMENT AND MAINTENANCE | PROPERTY AND EQUIPMENT | TOTAL |
|---|------------|-----------|-------------------|------------|-----------------|------------------|-----------------|---------------------------------|------------------------|--------------|
| LOWER MERION COUNSELING SERVICES | | | | | | | | | | |
| MH Outpatient | \$ 354,253 | \$ 76,310 | \$ 474,737 | \$ 150,010 | \$ 23,099 | \$ 22,813 | \$ 4,959 | \$ 16,053 | \$ - | \$ 1,122,234 |
| Student Assistance | 5,514 | 1,487 | - | 8,866 | - | - | - | - | - | 15,867 |
| Recovery | 241,849 | 48,071 | 1,183 | 22,957 | 26,244 | 7,656 | 1,590 | 15,862 | - | 365,412 |
| Case Management | 39,621 | 9,739 | - | - | 86 | - | - | - | - | 49,446 |
| CONSULTANTS IN CONTEXT | 306,596 | 55,587 | 36,090 | 22,832 | 3,993 | 7,216 | 12,847 | 682 | - | 445,843 |
| NEW FOUNDATIONS/WELLSPRINGS | 999,591 | 263,052 | 12,287 | 407,358 | 27,031 | 91,234 | 8,414 | 107,116 | - | 1,916,083 |
| COMPEER | 3,157 | 244 | - | - | - | - | - | - | - | 3,401 |
| COMPEER | 29,877 | 9,605 | - | 8,499 | 4,180 | 3,290 | 1,835 | 797 | - | 58,083 |
| NEW OPTIONS | 553,298 | 154,151 | 23,015 | 138,021 | 21,549 | 71,999 | 6,191 | 48,051 | - | 1,016,275 |
| POSITIVE RESOLUTIONS | 855,548 | 233,411 | 25,393 | 221,698 | 30,269 | 116,450 | 14,194 | 66,619 | - | 1,563,582 |
| COORDINATED HOMELESS OUTREACH CENTER | 646,293 | 180,747 | 3,779 | 49,850 | 15,443 | 140,477 | 2,715 | 56,920 | 10,400 | 1,106,624 |
| CRITICAL TIME INTERVENTION | 197,072 | 55,451 | 1,378 | 18,834 | 11,936 | 6,528 | 7,607 | 8,369 | 5,001 | 312,176 |
| RISE ABOVE | 450,303 | 87,816 | 203,257 | 69,789 | 19,430 | 24,984 | 7,363 | 2,455 | - | 865,397 |
| METHADONE CENTER | 716,545 | 165,185 | 92,159 | 104,293 | 13,483 | 61,430 | 15,587 | 27,570 | - | 1,196,252 |
| WOMANSPACE ARDMORE | 220,462 | 59,919 | 630 | 48,312 | 5,188 | 30,678 | 4,983 | 18,082 | - | 388,254 |
| FAMILY HOUSE NORRISTOWN | 426,133 | 107,714 | 39,291 | 35,802 | 11,714 | 61,196 | 5,080 | 64,995 | - | 751,925 |
| NOVA II | 30,222 | 9,434 | 1,419 | 10,841 | 313 | 4,929 | 39 | 2,461 | 1,198 | 60,856 |
| WOMANSPACE PHILADELPHIA | 328,371 | 79,577 | 19,556 | 43,053 | 9,600 | 56,088 | 9,659 | 25,294 | - | 571,198 |
| FAMILY HOUSE PHILADELPHIA | 379,520 | 97,771 | 17,065 | 161,064 | 7,570 | 53,545 | 3,902 | 49,038 | 19,175 | 788,650 |
| MORRIS HOUSE | 352,812 | 90,539 | 16,254 | 76,365 | 9,102 | 44,781 | 9,710 | 25,652 | 2,501 | 627,716 |
| BEHAVIORAL HEALTH SERVICES CITY OF PHILA. | 8,911,050 | 2,332,426 | 183,419 | 1,974,462 | 222,759 | 1,176,017 | 87,376 | 905,248 | 86,064 | 15,878,821 |
| NOVA III | 647,114 | 163,881 | 22,118 | 117,501 | 5,301 | 72,155 | 1,683 | 19,095 | - | 1,048,848 |
| ATR | 7,836 | 1,400 | - | 145 | - | - | - | - | - | 9,381 |
| TEAM ARRIVE | 603,116 | 133,532 | 17,106 | 24,175 | 32,853 | 18,300 | 21,464 | 36,149 | 14,215 | 900,910 |
| PENNSYLVANIA IDD | 28,236,773 | 7,517,629 | 1,241,471 | 3,990,735 | 411,184 | 1,930,916 | 450,830 | 2,526,115 | 191,383 | 46,497,036 |
| EARLY INTERVENTION | 270,555 | 61,097 | 367,877 | 29,120 | 11,370 | 8,454 | 4,388 | 5,872 | - | 758,733 |
| RSS BASE | 68,410 | 13,552 | 2,549 | 23,586 | 459 | 6,250 | 2,224 | 18,109 | - | 135,139 |
| ADESHA VILLAGE -Department of Autism | 88,864 | 21,500 | 103 | 5,027 | 1,608 | 4,475 | 1,985 | 10,840 | - | 134,402 |
| SPECIALIZED TREATMENT SERVICES PA | 186,073 | 39,104 | 8,001 | 54,371 | 6,849 | 16,339 | 5,239 | 1,710 | - | 317,686 |
| RHD BRIDGES | 527,012 | 130,333 | 69,587 | 76,634 | 15,131 | 65,348 | 15,728 | 43,346 | 20,833 | 963,952 |
| CHILDRENS PROGRAMS | | | | | | | | | | |
| CIRT | 122,909 | 25,387 | 631 | 18,705 | 7,856 | 2,854 | 1,498 | 4,208 | - | 184,048 |
| COSP | 2,111,669 | 347,272 | 36,134 | 62,218 | 12,124 | 7,547 | 16,788 | 10,347 | - | 2,604,099 |
| High Fidelity Wrap Around | 213,311 | 49,294 | 1,150 | 23,648 | 7,285 | 4,431 | 8,635 | 4,267 | - | 312,021 |
| Mastery | 541,243 | 120,893 | 43,569 | 4,529 | 2,380 | 10,208 | 635 | 3,063 | - | 726,520 |
| North E3 Center | 446,798 | 111,405 | 14,242 | 122,741 | 10,781 | 61,294 | 28,901 | 60 | - | 796,222 |
| School Therapeutic Services | 2,088,853 | 444,459 | 504,934 | 58,732 | 39,750 | 42,369 | 4,350 | 36,379 | - | 3,219,826 |
| Stepping Stones | 839,236 | 224,346 | 155,219 | 353,489 | 14,529 | 64,785 | 9,070 | 45,332 | - | 1,706,006 |
| SUPPORTED ADULT-1260 HOUSING | 323,971 | 72,449 | 13,047 | 81,152 | 18,967 | 23,641 | 20,790 | 3,606 | - | 557,623 |
| SUPPORTED ADULT-HUD | 125,635 | 28,583 | 2,026 | 236,840 | 2,606 | 2,387 | 6,105 | 57 | - | 404,239 |
| MAINSTREAM | 99,296 | 26,268 | 720 | 1,882 | - | 166,342 | 25,910 | 2,691 | - | 323,109 |
| FAMILIES IN TRANSITION | 156,167 | 31,880 | 7,167 | 248,485 | 3,580 | 10,395 | 4,019 | 982 | - | 462,675 |
| PROJECT ADVANTAGE | 366,696 | 101,587 | 1,850 | 75,223 | 7,079 | 30,123 | 1,111 | 27,487 | - | 611,156 |
| NEW START 1 & 2 | 925,809 | 224,774 | 145,612 | 188,241 | 11,861 | 126,943 | 14,391 | 200,473 | 73,096 | 1,911,200 |
| FERNWOOD | 807,626 | 230,221 | 2,563 | 7,689 | 16,561 | 35,326 | 145,336 | 55,266 | - | 1,300,588 |
| FASST/CONNECTIONS | 1,169,251 | 325,804 | 80,551 | 47,081 | 45,718 | 38,139 | 55,073 | 66,732 | 64,555 | 1,892,904 |
| WOODSTOCK SHELTER | 849,147 | 250,367 | 3,268 | 71,610 | 17,663 | 58,205 | 5,539 | 34,084 | - | 1,289,883 |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENDITURES
YEAR ENDED JUNE 30, 2013

| Program | SALARIES | BENEFITS | FEES AND SERVICES | OCCUPANCY | COMMUNICATI-ONS | PROGRAM SUPPLIES | TRAVEL AND MISC | SMALL EQUIPMENT AND MAINTENANCE | PROPERTY AND EQUIPMENT | TOTAL |
|--|------------------|------------------|-------------------|----------------|-----------------|------------------|-----------------|---------------------------------|------------------------|------------------|
| NORTHEAST PENNSYLVANIA (excludes IDD) | | | | | | | | | | |
| Hope House | 426,161 | 100,571 | 49,280 | 34,232 | 6,790 | 28,099 | 3,381 | 9,212 | - | 657,726 |
| New Perspectives - Residential | 427,651 | 101,314 | 54,165 | 24,564 | 10,827 | 26,305 | 3,843 | 16,020 | - | 664,689 |
| New Perspectives - Phone | 267,578 | 68,854 | 8,338 | 7,184 | 6,865 | 4,138 | 1,244 | 3,101 | - | 367,302 |
| New Perspectives - Mobile | 163,092 | 40,686 | 15,348 | 6,851 | 3,405 | 1,403 | 1,181 | 23,846 | - | 255,812 |
| New Perspectives - CIT | 77,364 | 20,496 | 5,207 | 1,422 | 619 | 3,072 | 3,106 | 17,820 | 9,450 | 138,556 |
| Crossroads Flex Housing Fund | 26,969 | 4,827 | 2,554 | 50,753 | 91 | 351,355 | 3,174 | 3,429 | - | 443,152 |
| Lehigh County Medical Mobile | 13,610 | 2,934 | - | 83,513 | 44 | 2,183 | 252 | 1,150 | - | 103,686 |
| Lehigh Valley ACT/ICM | 2,250,921 | 544,992 | 663,978 | 181,301 | 85,369 | 173,314 | 209,511 | 151,641 | 35,949 | 4,296,976 |
| Power | 306,526 | 80,312 | 4,993 | 36,457 | 14,457 | 13,206 | 8,839 | 28,191 | - | 492,981 |
| Fair Weather Lodge | 287,325 | 69,605 | 16,106 | 103,061 | 7,934 | 70,331 | 13,809 | 47,193 | 46,125 | 661,489 |
| Forensic Re-entry Initiative | 11,001 | 143 | 40,825 | - | - | 77 | 337 | - | - | 52,383 |
| LV Housing Support | 6,614 | 1,011 | - | 177,248 | 272 | - | - | 98 | - | 185,243 |
| CMP - Community Connections | 277,529 | 75,333 | 5,278 | 59,930 | 13,250 | 1,687 | 11,183 | 23,135 | - | 467,325 |
| Crossroads | 57,463 | 15,443 | - | 238,990 | 4,598 | 2,988 | 1,949 | 16,902 | - | 338,333 |
| Crossroads Supportive Family Housing | 66,527 | 17,177 | - | 141,050 | 4,012 | 5,013 | 2,524 | 13,667 | - | 249,970 |
| Hope Springs - Lehigh County | 288,142 | 74,547 | 5,674 | 27,382 | 5,609 | 27,318 | 2,393 | 18,112 | 27,362 | 476,539 |
| Hope Springs - Northampton County | 380,217 | 94,385 | 6,927 | 36,538 | 6,092 | 43,930 | 4,250 | 21,234 | 21,800 | 615,373 |
| Youth Hope Crisis Residence | 8,500 | 728 | 5,472 | 5,872 | - | - | 1,911 | - | 20,000 | 42,483 |
| CONNECTICUT | 4,460,039 | 1,048,692 | 301,406 | 492,217 | 74,851 | 323,585 | 247,924 | 326,475 | - | 7,275,189 |
| DELAWARE | | | | | | | | | | |
| Brandywine Hills | 419,644 | 90,865 | 29,999 | 75,945 | 4,238 | 50,940 | 8,092 | 27,956 | - | 707,679 |
| Passages | 778,133 | 165,291 | 53,919 | 145,990 | 9,026 | 92,572 | 12,371 | 62,605 | 4,001 | 1,323,908 |
| ACT/ICM | 1,512,666 | 266,417 | 700,600 | 229,118 | 61,242 | 271,141 | 115,239 | 141,534 | - | 3,297,957 |
| Choices | 710,194 | 183,228 | 34,056 | 13,009 | 8,697 | 74,544 | 14,294 | 29,557 | - | 1,067,579 |
| Mainstay Delaware | 614,420 | 154,274 | 14,838 | 93,234 | 24,252 | 72,919 | 11,123 | 14,383 | 45,628 | 1,045,071 |
| Mainstay Delaware - Philadelphia | 160,998 | 48,826 | 1,785 | 29,071 | 3,395 | 23,383 | 12,703 | 11,654 | - | 291,815 |
| Specialized Treatment Services | 94,394 | 15,969 | 8,227 | 5,545 | 2,650 | 4,276 | 6,838 | 1,540 | - | 139,439 |
| FLORIDA | 3,216,261 | 941,380 | 27,881 | 443,692 | 51,241 | 312,696 | 29,125 | 388,518 | - | 5,410,794 |
| LOUISIANA | | | | | | | | | | |
| Womanspace | 441,108 | 115,110 | 3,808 | 20,150 | 8,431 | 27,453 | 3,934 | 19,682 | - | 639,676 |
| Family House | 652,027 | 144,999 | 34,588 | 164,480 | 10,475 | 92,469 | 4,172 | 74,136 | - | 1,177,346 |
| Pathways | 353,489 | 83,757 | 5,447 | 205,437 | 14,671 | 34,276 | 8,938 | 26,440 | 2,000 | 734,455 |
| Reach-in C.A.R.E./SAFE | 225,933 | 50,617 | 6,187 | 28,298 | 5,756 | 9,397 | 8,116 | 14,141 | - | 348,445 |
| ACT Team 1 & 2 | 1,246,909 | 270,163 | 472,697 | 51,908 | 44,119 | 97,444 | 118,064 | 75,420 | 26,978 | 2,403,702 |
| Shelter Plus Care | - | - | - | 77,908 | - | - | - | - | - | 77,908 |
| Metropolitan ACT | 632,229 | 132,683 | 236,969 | 59,110 | 28,021 | 42,277 | 47,363 | 43,318 | 23,046 | 1,245,016 |
| Mobile Crisis | 633,637 | 111,049 | 82,298 | 24,038 | 28,733 | 9,849 | 24,418 | 18,446 | - | 932,468 |
| Metro Crisis | 977,251 | 197,519 | 145,087 | 88,703 | 32,840 | 36,214 | 4,417 | 55,773 | 59,813 | 1,597,617 |
| Homeless Outreach | 130,966 | 30,110 | 622 | 8,998 | 4,257 | 12,089 | 205 | 23,907 | - | 211,154 |
| Community Support Team | 771,353 | 198,771 | 3,162 | 57,740 | 19,102 | 32,351 | 32,750 | 4,069 | - | 1,119,298 |
| MASSACHUSETTS | 3,244,107 | 838,612 | 8,831 | 849,898 | 58,538 | 301,131 | 31,436 | 240,650 | 22,840 | 5,596,043 |
| MISSOURI | | | | | | | | | | |
| St. Louis | 2,520,099 | 683,477 | 14,459 | 425,819 | 34,286 | 127,698 | 123,805 | 108,088 | - | 4,037,731 |
| Kansas City | 852,970 | 210,677 | 16,095 | 241,891 | 21,567 | 62,537 | 81,447 | 37,716 | - | 1,524,900 |
| NEBRASKA | | | | | | | | | | |
| Lincoln | 4,438,950 | 1,135,467 | 5,782 | 398,723 | 79,903 | 266,350 | 94,477 | 146,111 | - | 6,565,763 |
| Omaha | 91,242 | 17,587 | - | 52,832 | 22,694 | 22,987 | 5,587 | 17,223 | - | 230,152 |
| NEW JERSEY | | | | | | | | | | |
| Supported Adult-Passaic | 440,716 | 110,213 | 10,169 | 329,075 | 22,101 | 39,671 | 5,074 | 46,829 | 24,419 | 1,028,267 |
| Supported Adult/RIST-Ocean County | 770,075 | 189,675 | 19,685 | 916,756 | 31,609 | 66,135 | 9,302 | 69,929 | 40,586 | 2,113,752 |

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

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENDITURES
YEAR ENDED JUNE 30, 2013

| | SALARIES | BENEFITS | FEES AND SERVICES | OCCUPANCY | COMMUNICATIONS | PROGRAM SUPPLIES | TRAVEL AND MISC | SMALL EQUIPMENT AND MAINTENANCE | PROPERTY AND EQUIPMENT | TOTAL |
|---|-----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------------------|------------------------|-----------------------|
| Program | | | | | | | | | | |
| NEW JERSEY (CONTINUED) | | | | | | | | | | |
| Supported Adult-Tri-County | 304,507 | 64,646 | 11,643 | 311,335 | 16,601 | 20,120 | 3,970 | 56,473 | 24,224 | 813,519 |
| Camden Housing Program | 255,263 | 69,328 | 10,225 | 392,672 | 10,069 | 16,911 | 7,834 | 23,984 | - | 786,286 |
| Camden Mainstay | 15,665 | 2,685 | 5,907 | 7,186 | 4,967 | 4,446 | 2,598 | 9,779 | 21,337 | 74,570 |
| NORTH CAROLINA | | | | | | | | | | |
| ACT | 380,770 | 87,087 | 132,861 | 193,992 | 23,166 | 69,930 | 27,682 | 44,513 | - | 960,001 |
| Residential | 971,606 | 303,817 | 16,087 | 249,316 | 34,775 | 121,545 | 28,033 | 132,809 | - | 1,857,988 |
| RHODE ISLAND | 1,563,988 | 449,729 | 9,966 | 157,879 | 11,361 | 50,302 | 184,994 | 64,607 | - | 2,492,826 |
| TENNESSEE | | | | | | | | | | |
| IDD | 6,923,294 | 1,870,570 | 84,462 | 243,889 | 111,235 | 160,442 | 150,996 | 529,013 | 57,848 | 10,131,749 |
| Supportive Housing | 166,195 | 30,273 | 405 | 241,747 | 12,458 | 17,482 | 9,993 | 12,864 | - | 491,417 |
| VIRGINIA | | | | | | | | | | |
| Specialized Treatment Services | 207,961 | 43,164 | 4,360 | 15,211 | 4,320 | 2,237 | 4,394 | 19,956 | - | 301,603 |
| Rise Above | 63,502 | 13,543 | 2,118 | 211 | 3,213 | 499 | 4,170 | 463 | - | 87,719 |
| FAMILY PRACTICE AND COUNSELING NETWORK | 7,600,565 | 1,539,981 | 3,747,641 | 1,123,639 | 161,650 | 821,301 | 115,728 | 207,016 | 569,114 | 15,886,635 |
| SALT CHESTER COUNTY | 105,035 | 20,873 | 4,674 | 19,675 | 1,651 | 7,793 | 2,036 | 8,943 | 16,152 | 186,832 |
| CHESTER YOUTH BUILD | 18,637 | 1,764 | 4,550 | 6,570 | 4,334 | 541 | 79 | 325 | - | 36,800 |
| POINT TO POINT | 783,015 | 191,968 | (1,120) | 77,161 | 34,732 | 7,369 | 259,733 | 208,828 | - | 1,561,686 |
| NEW BEGINNINGS | 799,769 | 163,170 | 594,303 | 46,181 | 95,226 | 181,432 | 92,914 | 8,439 | - | 1,981,434 |
| FUTURE SEARCH | 13,998 | 7,370 | 25,354 | - | 1,696 | 10,628 | 2,519 | 45 | - | 61,610 |
| ENDOW-A-HOME | 172,205 | 36,609 | 14,666 | 200,661 | 4,442 | 7,913 | 9,875 | 147,723 | 7,200 | 601,294 |
| HIGH STREET | 58,966 | 13,309 | 35 | 10,724 | 2,108 | 483 | 2,550 | 1,866 | - | 90,041 |
| MISCELLANEOUS | 1,593,077 | 222,726 | 192,041 | 105,071 | 12,796 | 109,312 | 491,315 | 296,938 | 71,922 | 3,095,198 |
| Grand Totals | 115,602,475 | 28,696,651 | 11,875,327 | 19,645,518 | 2,594,213 | 9,660,026 | 3,791,257 | 8,792,969 | 1,666,215 | 202,324,651 |
| Property and equipment capitalized | - | - | - | - | - | - | - | - | (1,602,752) | (1,602,752) |
| Change in inventory costs capitalized | (9,577) | (1,497) | (10,703) | (13,858) | - | (10,019) | (1,784) | (11,691) | 66,831 | 7,702 |
| Depreciation and amortization expense | - | - | - | - | - | - | - | - | 3,217,767 | 3,217,767 |
| Long term debt principal payments made | - | - | - | (89,775) | - | - | - | - | - | (89,775) |
| Interunit charges and other activity | - | - | (280,080) | (1,388,927) | - | (110,634) | (158,303) | (1,229,610) | - | (3,167,554) |
| Vacation accrual | 115,663 | 2,795 | - | - | - | - | - | - | - | 118,458 |
| Elimination of program fundraising costs | (196,116) | (40,322) | - | - | (19,978) | - | - | - | - | (256,416) |
| Other consolidated entities | - | - | - | 187,242 | - | - | 26,823 | - | - | 214,065 |
| Elimination of consolidated activity | (58,966) | (13,309) | (354,831) | (148,568) | (2,108) | (483) | (2,550) | (1,866) | - | (582,681) |
| Total Program | \$ 115,453,479 | \$ 28,644,318 | \$ 11,229,713 | \$ 18,191,632 | \$ 2,572,127 | \$ 9,538,890 | \$ 3,655,443 | \$ 7,549,802 | \$ 3,348,061 | \$ 200,183,465 |
| Management and General | \$ 16,452,718 | \$ 3,259,197 | \$ 2,225,851 | \$ 1,900,325 | \$ 647,040 | \$ 596,805 | \$ 1,133,716 | \$ 1,895,280 | \$ 3,276,973 | \$ 31,387,905 |
| Property and equipment capitalized | - | - | - | - | - | - | - | - | (3,276,973) | (3,276,973) |
| Depreciation and amortization expense | - | - | - | - | - | - | - | - | 1,176,341 | 1,176,341 |
| Long term debt principal payments made | - | - | - | (122,383) | - | - | - | - | - | (122,383) |
| Elimination of admin fundraising costs | (113,802) | (22,037) | (2,011) | - | (107) | - | (5,035) | (5,000) | - | (147,992) |
| Other consolidated entities | - | - | - | - | - | - | 24,624 | - | - | 24,624 |
| Elimination of consolidated activity | - | - | - | - | - | - | (61,974) | - | - | (61,974) |
| Total Management and General | \$ 16,338,916 | \$ 3,237,160 | \$ 2,223,840 | \$ 1,777,942 | \$ 646,933 | \$ 596,805 | \$ 1,091,331 | \$ 1,890,280 | \$ 1,176,341 | \$ 28,979,548 |
| Fundraising | \$ 309,919 | \$ 62,358 | \$ 2,011 | \$ - | \$ 20,085 | \$ - | \$ 5,035 | \$ 5,000 | \$ - | \$ 404,408 |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND 2013

| | 2014 | 2013 |
|--|--------------------|--------------------|
| Cash flows from operating activities: | | |
| Changes in total net assets before noncontrolling interests and capital distributions | \$ (487,083) | \$ 296,116 |
| Adjustments to reconcile changes in total net assets before noncontrolling interests and capital distributions to net cash provided by (used in) operating activities: | | |
| Noncontrolling interests in net income (loss) of investments | 1,760 | (25,328) |
| Loss (gain) on sale/disposition of property and equipment | 7,821 | (44,383) |
| Unrealized (gains) losses on limited use investments | (6,968) | 27,341 |
| Net (decrease) increase in allowances for doubtful accounts and uncollectible advances and loans | (583,674) | 1,054,730 |
| Depreciation and amortization | 4,612,491 | 5,037,076 |
| Equity in net losses of investments | 142,747 | 256,109 |
| Deferred credit forgiveness | (3,000) | (3,000) |
| Change in fair value of interest rate swap | (125,387) | (184,644) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in operating assets: | | |
| Accounts receivable | 5,163,155 | (8,008,396) |
| Inventory | (47,206) | 30,860 |
| Prepaid expenses | 388,530 | (591,257) |
| Other assets | 8,918 | 23,354 |
| (Decrease) increase in operating liabilities: | | |
| Accounts payable and accrued expenses | (704,564) | 1,228,135 |
| Deferred revenue | (623,123) | 778,983 |
| Contract advances | 173,288 | (8,932) |
| Retirement plans | (202,388) | (174,318) |
| Other liabilities | 47,240 | - |
| Net cash provided by (used in) operating activities | 7,762,557 | (307,554) |
| Cash flows from investing activities: | | |
| Acquisitions of property and equipment | (6,062,828) | (5,200,612) |
| Proceeds from sale of property and equipment | 579,804 | 355,069 |
| Purchases of limited use investments | (449,251) | (1,186,012) |
| Proceeds from sale of limited use investments | 364,358 | 877,141 |
| Net collection of advances and loans | 30,394 | 9,008 |
| Net cash used in investing activities | (5,537,523) | (5,145,406) |

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|-------------------|
| Cash flows from financing activities: | | |
| Net (payments)/proceeds on lines of credit and short-term borrowings | (1,134,857) | 641,381 |
| Principal borrowings on long-term debt | 14,723 | - |
| Principal payments on long-term debt | (965,766) | (942,891) |
| Principal payments on capital lease obligation | (75,014) | - |
| Contributed capital from noncontrolling interest | 104,380 | 334,891 |
| Distributions to noncontrolling interest | (14,279) | (17,306) |
| Capital distributions | <u>(166,667)</u> | <u>(166,667)</u> |
| Net cash used in financing activities | <u>(2,237,480)</u> | <u>(150,592)</u> |
| Net decrease in cash and cash equivalents | (12,446) | (5,603,552) |
| Cash and cash equivalents, beginning of year | <u>244,884</u> | <u>5,848,436</u> |
| Cash and cash equivalents, end of year | <u>\$ 232,438</u> | <u>\$ 244,884</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid for interest | <u>\$ 944,656</u> | <u>\$ 899,638</u> |
| Taxes paid | <u>\$ 5,637</u> | <u>\$ 4,860</u> |
| SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES: | | |
| Debt incurred for the acquisition of property and equipment | <u>\$ 2,170,348</u> | <u>\$ 457,600</u> |
| Long term debt refinanced | <u>\$ 2,309,498</u> | <u>\$ -</u> |
| Capital lease obligation incurred for the purchase of equipment | <u>\$ 149,988</u> | <u>\$ -</u> |
| Noncash transfer of noncontrolling interest equity | <u>\$ 362,069</u> | <u>\$ -</u> |
| Decrease in long-term commitment and related investment | <u>\$ -</u> | <u>\$ 45,000</u> |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Resources for Human Development, Inc. (RHD) is a comprehensive social services organization whose mission is to empower the most vulnerable and marginalized members of our society as they build the highest level of independence possible. RHD oversees and supports more than 160 locally-managed programs in 14 states, which helps tens of thousands of people of all abilities each year. These innovative and effective programs specialize in helping people who have mental illnesses or intellectual disabilities, those who are homeless, people rejoining society after incarceration, and people with histories of substance abuse, so that they may build better lives for themselves, their families, and their communities. Program areas encompass these community needs: arts, culture and humanities, community improvement and capacity building, crime prevention, education, employment readiness and job training, environmental quality, health care, homelessness prevention, behavioral health, substance abuse, intellectual disabilities, reintegration after incarceration, volunteer development, and youth development, wellness, and education.

Through its for-profit subsidiaries, RHD operates programs designed to assist businesses which provide quality low-moderate income jobs that lead to sustainable improvements in distressed communities, primarily by providing capital, investment funding and technical assistance. Through Murex, the Organization has invested in entities such as SQA Pharmacy (SQA). SQA is a "closed-door" pharmacy dedicated to providing high quality pharmaceutical services to both RHD managed and non-RHD managed health care facilities in the greater Philadelphia area as well as out of state. The pharmacy uses a share of its profits and dividends to donate funds to the health care community.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of RHD, its for-profit subsidiaries, Murex Corporation (Murex) (100% owned by RHD) and Murex Investments, Inc. (Murex Investments) (93% owned by RHD), as well as two related not-for-profit organizations which RHD controls, The SQ Foundation (SQ) and The Non-Profit Housing Corporation of Pennsylvania (NPHO), and one trust which is consolidated as a variable interest entity, the RHD Special Needs Pooled Trust (SNPT) (collectively referred to hereafter as "the Organization"). The following entities have been consolidated with Murex and are reflected in the consolidated financial statements: Murex Motors Inc., SQA Pharmacy, LLC, Murex High Street, Inc., High Street Manor Associates, LP (High Street), Murex TRS, Inc. and TRS, LLP (Taunton Run). During fiscal year 2014, Murex and one of its subsidiaries obtained full ownership of High Street and Taunton Run, eliminating all Murex noncontrolling interests.

The consolidated financial statements have been prepared in accordance with the audit guide published by the American Institute of Certified Public Accountants, Audit and Accounting Guide for Not-for-Profit Organizations, as required for Voluntary Health and Welfare Organizations. Inter-company investments, advances and transactions have been eliminated.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

SNPT has been consolidated with the Organization under the requirements of the Financial Accounting Standards Board Accounting Standards Codification. SNPT is a variable interest entity in which RHD is the primary beneficiary.

Other operating expenditures included in the consolidated statements of unrestricted revenues, expenditures and other changes in unrestricted net assets relate to the operating expenses of the for-profit consolidated entities.

Accounting principles generally accepted in the United States of America require not-for-profit organizations to distinguish between contributions received that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets.

Donated space, goods, and certain services are required to be reported at their fair market value in the year that they are contributed. The Organization records in-kind income and expenses for reporting to its funding sources in accordance with the associated contract requirements. The contract requirements for reporting donated services differ from generally accepted accounting principles. Accordingly, only a portion of the amounts reported to funding sources have been recorded as donated services in the accompanying consolidated financial statements.

Revenue and Support

Revenue is recognized as services are provided based on contracted or established reimbursement rates. Some reimbursement rates are negotiated with payers and can be based on actual costs. Support from government contracts and grants, including overhead allowance, is generally recognized as the related expenses are incurred. The Organization has contracts and grants with various agencies of the federal, state and local governments, and departments of the City of Philadelphia.

Net Assets

Net assets are categorized according to externally (donor) imposed restrictions. A description of the net asset categories is as follows:

Unrestricted net assets – are those assets that are available for the support of operations and whose use is not externally restricted.

Temporarily restricted net assets – are those assets whose use by the Organization has been limited by donors to a specific time period or purpose.

Permanently restricted net assets – are those assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor that can be fulfilled or otherwise removed by actions of the Organization. There were no permanently restricted net assets as of June 30, 2014 and 2013.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (continued)

Restricted contributions received whose restrictions are for the purchase of property and equipment are released at a rate of the related depreciation of the property and equipment purchased.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and receivables from governmental and other agencies. The receivables from governmental agencies are primarily obligations of the federal and various state governments, the City of Philadelphia and various counties. In addition, there are accounts receivable from third party managed care organizations that reimburse the Organization on behalf of governmental agencies.

Cash and Cash Equivalents

The Organization considers cash on hand, deposits with banks and short-term investments with original maturities of three months or less to be cash and cash equivalents.

Limited Use Cash and Cash Equivalents

Representative payee cash funds are custodial funds that have been established to account for assets received by the Organization on behalf of certain clients of certain programs. These funds are expended at the discretion of the program directors, for the direct benefit of the individual clients. This amount is also included as a current liability, due to custodial clients.

Limited Use Investments

The Organization has established the SNPT to hold assets on behalf of participating clients of certain programs. The use of these funds is restricted for the direct benefit of the individuals participating in the trust. The Organization has established a board of trustees to provide fiduciary oversight of the investments in the trust. The trust assets are investments in securities available-for-sale, which are reported at fair market value. Realized and unrealized gains or losses from the investments and income from the trust assets are included in the consolidated statements of unrestricted revenues, expenditures and other changes in unrestricted net assets.

Accounts Receivable

Accounts receivable consist of amounts primarily due from federal, state and local governments as well as third party managed care organizations and are stated at the amount management expects to collect from balances outstanding at year end. Management has recorded an allowance for doubtful accounts based on their historical experience with accounts receivable collections.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory is recorded at the lower of cost, on a specific identification basis, or market (net realizable value) and consists of residential properties purchased or donated for resale and related construction-in-progress. Through its affordable housing programs, the Organization purchases, renovates and sells homes, primarily to eligible low-income families. Renovated homes are sold to any community member regardless of income. Inventory also consists of prescription and over-the-counter drugs used in the Organization's closed-door pharmacy and outpatient health centers.

Property and Equipment and Depreciation and Amortization

Property and equipment are recorded at cost. Provisions for depreciation and amortization are made over the estimated useful lives, ranging from 3 to 40 years, of the respective assets using the straight-line method. Maintenance and repairs are charged to activities as incurred. A portion of capital assets has been purchased through grants and contracts. Such amounts received are included in support and revenue. Related expenditures are capitalized and depreciated over estimated lives when title to the related assets is held by the Organization.

Under certain program-funded agreements, ownership of property and equipment acquired with grantor funds is vested with and may revert back to the grantor under certain circumstances. However, due to the nature of the programs and the long-term relationships of the Organization with the grantors, management feels that the financial statements of the Organization are more accurate by capitalizing these assets.

Equity Investments in Companies

Equity investments in partnerships, limited liability companies and unconsolidated corporations are included in the accompanying consolidated financial statements using the equity and cost methods of accounting.

Advances and Loans

Advances and loans consist of advances or loans receivables initiated by Murex and Murex Investments to certain partnerships and companies. These financing receivables are stated at the amount management expects to collect from balances outstanding at year end. Management has recorded an allowance for uncollectible advances and loans based on the specific identification of at-risk financing receivables. Management performs an at-risk assessment of each advance and loan on an annual basis.

Deferred Revenue

Deferred revenue consists primarily of program revenues received but not earned as of the date of the statements of financial position. Deferred revenues will be earned as the program conditions are met.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vacation Accrual

All eligible employees (including program employees) of the Organization are able to carry over unused earned vacation time. Employees are able to use vacation time earned as of June 30th according to the PTO Plan Year. At June 30, 2014 and 2013, \$2,273,542 and \$2,302,481, respectively, of program vacation expenses and related taxes are included in accrued expenses. A portion of the vacation accrual related to program employees will ultimately be charged to and reimbursed by cost reimbursed programs, resulting in an accrual of program revenue of \$600,572 and \$623,803 at June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, there is \$1,672,970 and \$1,678,678, respectively, of program vacation expense accrued for which no revenue or receivable was recorded as these amounts were incurred under fee-for-service contracts. In addition, at June 30, 2014 and 2013, \$601,318 and \$568,845, respectively, of administrative vacation expenses and related taxes are also included in accrued expenses.

Derivative Instruments

Part of the Organization's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert certain variable-rate debt to a fixed rate. Interest rate swap contracts designated and qualifying as hedges against future cash flows are reported at fair value. The gain or loss on the hedges is reflected in changes in unrestricted net assets.

Tax Status

RHD, SQ, and NPHO are exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state and local laws. SNPT is a grantor trust and as such is exempt from federal, state and local income taxes. Under Internal Revenue Code Sections 671-678, all trust income is taxable to the grantors, which in this case are the members of the trust. Therefore, no provision for income taxes has been made in the accompanying consolidated financial statements related to these entities. Murex, Murex Investments and three of their subsidiaries are for-profit corporations and are subject to federal, state and local taxation. Within Murex are various entities organized as limited partnerships or limited liability companies. These entities are not subject to federal or state income taxes. Income or losses from these entities are reflected in the members'/partners' tax returns.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

Generally accepted accounting principles require entities to disclose the estimated fair value of their financial instrument assets and liabilities. In addition to the derivative instruments identified above, the Organization has identified the following as financial instruments, all of which have carrying values which approximate fair value: cash and cash equivalents, accounts receivable, limited use investments, equity investments in and advances to companies and long-term debt.

Noncontrolling Interests

Noncontrolling interests reflect the equity of subsidiaries which are not owned by RHD or its subsidiaries.

Reclassifications

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 financial statement presentation. These reclassifications did not result in any changes to previously reported net assets.

2. PROMISES TO GIVE

Unconditional Promises to Give

The Organization records unconditional promises to give when received. During the years ended June 30, 2014 and 2013, contributions were received with multiple year payment terms. These receivables were recorded at their present value using a discount rate of 3.25%.

| | <u>2014</u> | <u>2013</u> |
|--------------------------------------|------------------|-------------------|
| Gross unconditional promises to give | \$ 84,000 | \$ 168,000 |
| Less unamortized discount | <u>(1,170)</u> | <u>(409)</u> |
| | <u>\$ 82,830</u> | <u>\$ 167,591</u> |
| Amounts due: | | |
| Within one year | \$ 56,500 | \$ 155,000 |
| Within two to five years | <u>26,330</u> | <u>12,591</u> |
| | <u>\$ 82,830</u> | <u>\$ 167,591</u> |

The current portion of this receivable is reported as part of accounts receivable at June 30, 2014 and 2013, with the remaining balance reported as other assets in the consolidated statements of financial position.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

2. PROMISES TO GIVE (CONTINUED)

Conditional Promises to Give

Conditional promises to give are not recognized until the conditions on which they depend are substantially met and the promises become unconditional. As of June 30, 2014 and 2013, respectively, RHD had \$156,682 and \$199,544 of unrecorded conditional promises to give which will be recognized when the Organization can show evidence of satisfaction of specific conditions as set forth by the donor, which consist of specific programmatic objectives and/or a lease renewal.

3. LIMITED USE INVESTMENTS

Investments in SNPT, stated at fair value, as of June 30, 2014 and 2013, are as follows:

| | 2014 | |
|-------------------------|------------|------------|
| | Cost | Fair Value |
| Fixed income securities | \$ 588,505 | \$ 570,523 |
| Money market funds | 14,551 | 14,551 |
| | \$ 603,056 | \$ 585,074 |
| | 2013 | |
| | Cost | Fair Value |
| Fixed income securities | \$ 517,517 | \$ 492,646 |
| Money market funds | 567 | 567 |
| | \$ 518,084 | \$ 493,213 |

The following schedule summarizes the investment returns for the years ended June 30, 2014 and June 30, 2013:

| | 2014 | 2013 |
|------------------------|-----------|-------------|
| Investment income | \$ 12,574 | \$ 5,910 |
| Unrealized gain/(loss) | 6,968 | (27,341) |
| | \$ 19,542 | \$ (21,431) |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment (at cost) and accumulated depreciation and amortization as of June 30, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|--|----------------------|----------------------|
| Real estate and improvements | \$ 26,944,098 | \$ 27,346,389 |
| Leasehold improvements | 16,275,663 | 14,195,863 |
| Furniture and fixtures | 2,442,814 | 4,568,401 |
| Computer equipment and software | 4,891,242 | 6,572,490 |
| Automobiles | <u>10,940,485</u> | <u>10,210,994</u> |
| | 61,494,302 | 62,894,137 |
| Less accumulated depreciation and amortization | <u>34,625,075</u> | <u>39,207,957</u> |
| | <u>\$ 26,869,227</u> | <u>\$ 23,686,180</u> |

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 is as follows:

| | <u>2014</u> | <u>2013</u> |
|------------------------|---------------------|---------------------|
| Program | \$ 3,132,220 | \$ 3,217,767 |
| Management and general | 1,172,387 | 1,176,341 |
| Other operating | <u>307,884</u> | <u>642,968</u> |
| | <u>\$ 4,612,491</u> | <u>\$ 5,037,076</u> |

5. EQUITY INVESTMENTS IN COMPANIES AND NONCONTROLLING INTERESTS

The Organization has investments in the following companies either individually or through its for-profit subsidiaries, Murex and Murex Investments:

| <u>Company Name</u> | <u>Percentage of Ownership</u> |
|---------------------------|------------------------------------|
| CSS Staffing, Inc. | 30.00 |
| Laptop Service Center | 30.00 |
| Murex Capital, LP | 27.30 |
| Murex Capital II, LP | 33.30 |
| Murex Investments I, LP | 42.72 |
| Murex Investments, LLC | 20.00 |
| Murex Investments II, LLC | 20.00 |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

**5. EQUITY INVESTMENTS IN COMPANIES AND NONCONTROLLING INTERESTS
(CONTINUED)**

Aggregate cost and carrying values of these investments as of June 30, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|---|--------------|--------------|
| Original investments, at cost | \$ 4,226,690 | \$ 4,232,290 |
| Accumulated allocated net losses, distributions, and return of capital | (3,213,431) | (3,076,284) |
| Equity investments in companies | \$ 1,013,259 | \$ 1,156,006 |

Over the past several years, the Organization has received donor designated grants and donations for the purpose of investing in companies through Murex and Murex Investments, to promote economic and job development in specified areas in Pennsylvania. These companies are typically considered risky based on their current financial position and inability to receive additional financing from their banks. The Organization recognized approximately \$137,000 and \$256,000 of net losses from these investments during the years ended June 30, 2014 and 2013, respectively.

The Organization accounts for most of its investments using the equity method, even some in which they own less than 20%. In most cases, the Organization exercises significant influence and in those investments in which it owns less than 20%, the equity method approximates the cost method. The Organization uses the cost method in cases in which it owns less than 20% and does not exercise significant influence. The Organization's losses are limited to the extent of its capital contributions.

The noncontrolling interest in Murex Investments consists of a 7% non-voting common stock ownership by another investor as of June 30, 2014 and 2013. The Organization owns all of the voting equity of this subsidiary. As of June 30, 2014 and 2013, the value of the noncontrolling interest was \$0.

Effective July 1, 2009, Murex adopted new authoritative guidance for noncontrolling interests in consolidated financial statements. This guidance requires, among other things, that the ownership interest in subsidiaries be clearly identified and presented in the consolidated statement of financial position within equity/net assets, but separate from the parent's equity/net assets.

As of June 30, 2014, there are no investments of Murex in which there is a noncontrolling interest. As of June 30, 2013, there are three investments of Murex in which there is a noncontrolling interest. Murex has control of the companies but only the majority ownership of one. Control results from the Organization's appointment of management or members of the board of directors. The companies and the noncontrolling equity interests of the stated companies as of June 30, 2013 are as follows: High Street Manor Associates 99%, TRS, LLP (Taunton Run) 99.9%, and SQA Pharmacy, LLC 11.1%.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

6. ADVANCES AND LOANS

The Organization through its for-profit subsidiaries, Murex and Murex Investments, has made loans and advances to certain partnerships and companies. In addition, the Organization, through its subsidiary, Murex Investments, has made loans to certain companies in which it has an equity interest. Murex and Murex Investments invest in certain companies located in distressed areas of Philadelphia, Pennsylvania. Its investees adhere to certain principles, including a minimum level of hiring local people from welfare, a minimum wage in excess of the applicable minimum wage, and the sharing of profits with the employees. The major sources of funds for investing in and lending to these companies were restricted grants and donations. The investments in these companies are accounted for using the equity method of accounting.

These advances and loans have interest rates that range from 0% to 10% and varying payment terms ranging from amounts due on demand to defined payments through April 2040. Some advances which are due on demand are classified as long-term as it is not the intention of the Organization to call these advances for payment in the fiscal year ending June 30, 2015.

The nature of the significant advances and loans as of June 30, 2014 and 2013 are as follows:

| | 2014 | | |
|---------------------------|------------|--------------|------------|
| | Balance | Allowance | Net |
| Advances to affiliates | \$ 292,109 | \$ (232,998) | \$ 59,111 |
| Advances to companies | 97,955 | (53,726) | 44,229 |
| Mortgage note receivables | 138,267 | - | 138,267 |
| | 528,331 | (286,724) | 241,607 |
| Less current portion | 147,283 | (100,248) | 47,035 |
| | \$ 381,048 | \$ (186,476) | \$ 194,572 |
| | 2013 | | |
| | Balance | Allowance | Net |
| Advances to affiliates | \$ 301,152 | \$ (238,000) | \$ 63,152 |
| Advances to companies | 116,541 | (60,253) | 56,288 |
| Mortgage note receivables | 141,032 | - | 141,032 |
| | 558,725 | (298,253) | 260,472 |
| Less current portion | 157,845 | (111,814) | 46,031 |
| | \$ 400,880 | \$ (186,439) | \$ 214,441 |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

6. ADVANCES AND LOANS (CONTINUED)

Allowances are determined based on the Organization's assessment of the creditworthiness of the companies. Changes in the allowance for doubtful advances and loans for the years ended June 30, 2014 and 2013 is:

| | <u>2014</u> | <u>2013</u> |
|-------------------|-------------------|-------------------|
| Beginning balance | \$ 298,253 | \$ 302,603 |
| Written off | (5,000) | - |
| Recovered | (13,029) | (4,350) |
| Provision | <u>6,500</u> | <u>-</u> |
| Ending balance | <u>\$ 286,724</u> | <u>\$ 298,253</u> |

7. DEFERRED INCOME TAXES AND NET OPERATING LOSS CARRYFORWARDS

Murex Investments and Murex have recorded a net deferred income tax asset resulting from net operating loss carryforwards, unrealized gains and losses on investments, and allowances created against advances and loans to investees. As of June 30, 2014 and 2013, management has created a valuation allowance to account for the uncertainty that a portion of the deferred tax asset would be utilized.

The tax effects of temporary differences and carryforwards that give rise to deferred income tax assets as of June 30, 2014 and 2013 consist of the following:

| | <u>2014</u> | <u>2013</u> |
|--|--------------------|-------------------|
| Net operating loss carryforwards | \$ 1,409,183 | \$ 1,267,835 |
| Unrealized gains on investments | (163,052) | (131,532) |
| Allowance on advances and loans to investees | <u>170,632</u> | <u>120,024</u> |
| Deferred income tax assets | 1,416,763 | 1,256,327 |
| Valuation allowance | <u>(1,102,496)</u> | <u>(942,060)</u> |
| | <u>\$ 314,267</u> | <u>\$ 314,267</u> |

Deferred income tax assets are included in other assets in the consolidated statements of financial position.

Murex Investments has net operating loss carryforwards of approximately \$2,000,000 as of June 30, 2014 which are available to offset future federal taxable income. These carryforwards will begin to expire in 2024.

Murex has net operating loss carryforwards of approximately \$1,900,000 as of June 30, 2014 which are available to offset future federal taxable income. These carryforwards will begin to expire in 2030.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

7. DEFERRED INCOME TAXES AND NET OPERATING LOSS CARRYFORWARDS (CONTINUED)

Provisions for income tax benefits are included in interest and miscellaneous income on the consolidated statements of unrestricted revenues, expenditures and other changes in unrestricted net assets and consist of the following components:

| | 2014 | 2013 |
|---------------------------------------|------------|--------------|
| Deferred income tax benefit/(expense) | \$ 160,436 | \$ (120,463) |
| Change in valuation allowance | (160,436) | 120,463 |
| | \$ - | \$ - |

8. LINES OF CREDIT AND SHORT-TERM BORROWINGS

The Organization has lines of credit and short-term borrowings as of June 30, 2014 and 2013 consisting of the following:

| | 2014 | 2013 |
|--|--------------|--------------|
| Line of credit of \$22,000,000 (including letters of credit) with a bank; interest on borrowings under this agreement is LIBOR plus 2.5%. The effective interest rate at June 30, 2014 and 2013 was 2.66% and 2.69%, respectively; the line is collateralized by accounts receivable and other assets of the Organization. This renewed agreement will expire in April 2015. | \$ - | \$ 738,036 |
| Construction line of credit of \$4,000,000 with a bank; interest on borrowings under this agreement is LIBOR plus 3%. The effective interest rate at June 30, 2014 was 3.15%; the line is collateralized by accounts receivable and other assets of the Organization. This line will convert to a permanent loan on the project completion date. | 2,170,347 | - |
| Line of credit of \$650,000 with a bank; interest on borrowings under this agreement is prime rate plus 1.0%; the effective interest rate at June 30, 2013 was 4.25%; the line was collateralized by all personal property of SQA Pharmacy. This line was extended until October 31, 2013 and not subsequently renewed. | - | 396,821 |
| | \$ 2,170,347 | \$ 1,134,857 |

The Organization was obligated under outstanding letters of credit of \$9,166,026 and \$7,436,026 at June 30, 2014 and 2013, respectively.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

9. LONG-TERM DEBT

Long-term debt as of June 30, 2014 and 2013 consist of the following:

| | 2014 | 2013 |
|---|---------------|---------------|
| RHD: | | |
| Mortgage notes, payable in monthly installments ranging from \$0 to \$7,559, mostly including interest ranging from 1.0% to 6.63%, collateralized by various properties, maturing at various times from March 2016 through December 2040. | \$ 6,421,537 | \$ 6,662,397 |
| Note payable, interest and principal due monthly, interest at LIBOR plus 1.5% through 2018 (effective rate was 1.65% and 1.69% at June 30, 2014 and 2013, respectively), collateralized by accounts receivable and other assets. | 2,928,861 | 3,535,558 |
| Murex Corporation: | | |
| Mortgage notes (related to Taunton Run), payable in monthly installments ranging from \$0 to \$23,602, mostly including interest ranging from 1% to 7.1%, collateralized by rental property and equipment, maturing at various times from June 2027 through December 2028. | 3,812,033 | 3,902,419 |
| Mortgage notes (related to High Street), payable in monthly installments ranging from \$0 to \$2,672, mostly including interest ranging from 1% to 6.5%, collateralized by income producing assets, maturing at various times from 2021 through 2035. | 630,441 | 643,541 |
| Murex Investments: | | |
| Notes payable, interest due semi-annually based on the participating percentage of operating distributions received from Murex Investments I, LP, outstanding principal due on March 24, 2018, collateralized by a participating interest in the investment in Murex Investments I, LP. | 996,286 | 996,286 |
| | 14,789,158 | 15,740,201 |
| Less current portion | 1,030,972 | 949,315 |
| Long-term portion | \$ 13,758,186 | \$ 14,790,886 |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

9. LONG-TERM DEBT (CONTINUED)

Maturities of long-term debt over the next five years and thereafter are as follows:

| <u>Year Ending June 30.</u> | |
|-----------------------------|----------------------|
| 2015 | \$ 1,030,972 |
| 2016 | 1,344,203 |
| 2017 | 1,154,191 |
| 2018 | 1,205,742 |
| 2019 | 1,564,968 |
| Thereafter | <u>8,489,082</u> |
| Total | <u>\$ 14,789,158</u> |

Interest expense for the years ended June 30, 2014 and 2013 was \$1,028,485 and \$988,685 respectively.

As noted above, the Organization has a note payable which bears interest at LIBOR plus 1.5%. However, the Organization entered into an interest rate swap contract that effectively converts the interest rate on the note to 6.45%. The Organization pays interest on the note based on the current interest rate terms. In addition, under the swap agreement, the Organization either pays or receives additional amounts on the outstanding notional amount based on the relationship of the current interest rate terms to 6.45%. The notional amount under the swap decreases as principal payments are made on the note so that the notional amount equals the principal outstanding under the note. The swap is designed to hedge the risk of changes in interest payments on the note caused by changes in LIBOR.

The swap was issued at market terms so that it had no fair value at its inception. The carrying amount of the swap has been adjusted to its fair value at the end of the year, which because of changes in forecasted levels of LIBOR resulted in reporting a liability for the fair value of the future net payments forecasted under the swap. As of June 30, 2014 and 2013, the fair value of the swap liability was \$267,623 and \$393,010, respectively. The liability is classified as noncurrent since management does not intend to discontinue the swap contract during fiscal year 2015.

10. DEFERRED CREDITS

The Organization has received grants/loans from various governmental agencies for acquiring and/or rehabilitating properties for specified purposes. If the conditions of this loan agreement are met, this balance will be forgiven over a period of 30 years. The loan bears no interest except in the event of default. No interest has been accrued because it is the intention of the Organization to comply with all related conditions. The deferred credit balance is as follows:

| | <u>2014</u> | <u>2013</u> |
|---|------------------|------------------|
| First Trust Savings (originated June 1998 to be forgiven at the rate of \$3,000 per year over a 30-year period ending June 2027). | \$ <u>39,000</u> | \$ <u>42,000</u> |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED JUNE 30, 2014 AND 2013

11. LEASE COMMITMENTS

Operating Leases

The Organization leases various buildings and equipment under leasing arrangements expiring through 2022. These leases are accounted for as operating leases. Generally, leases with terms beyond one year contain defunding clauses which allow the Organization to terminate a lease, within 90 days of the loss of government funding.

Future minimum annual rentals required under lease arrangements at June 30, 2014 are as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|----------------------|
| 2015 | \$ 9,735,615 |
| 2016 | 5,975,044 |
| 2017 | 4,025,866 |
| 2018 | 2,589,753 |
| 2019 | 1,082,114 |
| Thereafter | <u>1,032,139</u> |
| Total | <u>\$ 24,440,531</u> |

The Organization also maintains numerous property leases with terms of up to one year which are not included in the above schedule. Rent expense for the years ended June 30, 2014 and 2013 totaled \$14,817,890 and \$13,436,333, respectively. Total equipment rental expense incurred for the years ended June 30, 2014 and 2013 was \$645,212 and \$536,133, respectively.

Capital Lease

The Company entered into a capital lease for computer equipment during the current fiscal year. As of June 30, 2014, \$149,988 of leased assets and \$24,998 of related accumulated depreciation have been included in property and equipment. The lease has an imputed interest rate of approximately 8% per annum. As of June 30, 2014, the Organization is obligated to future minimum lease payments during the fiscal year 2015 of \$80,355 of which \$5,381 is imputed interest.

12. CAPTIVE AND SELF-INSURANCE

The Organization belongs to a captive insurance program, which covers workers compensation and automobile insurance, for claims incurred prior to July 1, 2011. Effective July 1, 2011, the Organization is no longer part of this captive insurance program and has entered into a large deductible insurance program for workers compensation claims. Excess and other insurance policies are maintained with respect to the various other exposures, and claims are handled by third-party administrators. Included in accounts payable and accrued expenses at June 30, 2014 and 2013 is approximately \$5,503,000 and \$5,621,000, respectively, for future claims for all self-insured retentions, which represents an estimate by management. The ultimate cost, however, will depend on the magnitude and extent of future claims.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

12. CAPTIVE AND SELF-INSURANCE (CONTINUED)

The Organization is also self-insured for unemployment claims in certain states, and therefore is responsible for paying actual unemployment claims as they are incurred. As a result, approximately \$4,991,000 and \$4,511,000 is included in accounts payable and accrued expenses as of June 30, 2014 and 2013, respectively, as a reserve for potential future unemployment claims. This also is an estimate by management and the ultimate cost will depend on the extent of future claims.

13. RETIREMENT PLANS

Deferred Compensation Plan

The Organization has implemented a non-qualified deferred compensation plan in accordance with Internal Revenue Service Code Section 457. In order to receive a payment under this plan, an employee must have both worked full-time for the Organization for 25 years and have attained the age of 65. The benefit amount is equal to the annual salary that the employee was receiving on the later of the dates on which the employee completes 25 years of service or attains the age of 65. It will be paid to the employee in four annual installments beginning in the year the employee attains both criteria. At June 30, 2014 and 2013, the liability amount recorded related to this benefit is \$216,265 and \$400,154, respectively. The current portion of this liability is \$92,029 and \$177,580, respectively, and has been included in accounts payable and accrued expenses.

Medical Retirement Plan

The Organization has implemented a non-qualified medical retirement plan. In order to receive a payment under this plan, an employee must have worked full-time for the Organization for 10 years, attained the age of 65, and have fully retired. The benefit amount for eligible expenditures is based on the number of years of service, ranges from \$3,000 to \$6,000 per year and is paid over the course of 2 to 10 years. At June 30, 2014 and 2013, the liability amount recorded related to this benefit is \$266,010 and \$324,257, respectively. The current portion of this liability is \$140,910 and \$95,107, respectively, and has been included in accounts payable and accrued expenses.

Pension Plan

The Organization maintains a "403(b)" plan for the benefit of its employees. Employee participation is voluntary and contributions by the employees are pursuant to salary reduction. The Organization does not match employee contributions.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

14. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following as of June 30, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|---------------------|
| Purchase of property and equipment and related depreciation | \$ 91,039 | \$ 77,087 |
| Programmatic purpose | 2,657,036 | 2,208,340 |
| Social investment | - | 254,760 |
| Time restrictions | <u>82,829</u> | <u>152,592</u> |
| | <u>\$ 2,830,904</u> | <u>\$ 2,692,779</u> |

15. SUPPORT AND REVENUE

A breakdown of both unrestricted and restricted support and revenue by geographic region for RHD only is as follows for the years ended June 30, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|-----------------------------|-----------------------|-----------------------|
| California | \$ 55,985 | \$ 39,884 |
| Connecticut | 8,778,233 | 8,232,865 |
| Delaware | 10,315,751 | 8,587,558 |
| Florida | 6,808,764 | 6,352,415 |
| Louisiana | 11,339,485 | 12,335,366 |
| Massachusetts | 6,940,483 | 6,385,853 |
| Missouri | 6,684,923 | 6,468,719 |
| Nebraska | 10,536,318 | 7,474,689 |
| New Jersey | 8,314,260 | 6,136,943 |
| North Carolina | 2,856,393 | 2,653,354 |
| Pennsylvania – Southeastern | 116,545,157 | 115,589,793 |
| Pennsylvania – Other | 36,701,971 | 34,851,954 |
| Rhode Island | 2,991,061 | 2,569,418 |
| Tennessee | 13,367,642 | 12,496,615 |
| Virginia | <u>471,501</u> | <u>409,629</u> |
| Total | <u>\$ 242,707,927</u> | <u>\$ 230,585,055</u> |

16. CONCENTRATIONS OF CREDIT RISK

Programs operated by the Organization are primarily funded by various governmental agencies. The ability of the Organization to maintain its overhead structure and meet future financial commitments is dependent on the continued funding of these programs.

The Organization maintains cash balances at financial institutions located in various states. Accounts at an institution may, at times, exceed the Federally insured limits of \$250,000. As of June 30, 2014, approximately \$2,517,000 of cash balances exceeded insured limits.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

17. FAIR VALUE MEASUREMENTS

The Organization's investments and swap liability are reported at fair value in the accompanying financial statements as follows for the year ended June 30, 2014 and 2013:

| | Fair Value at June 30, 2014 | | | |
|------------------------|-----------------------------|---------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Fixed Income AAAB Bond | \$ - | \$ 570,523 | \$ - | \$ 570,523 |
| Money Market Funds | 14,551 | - | - | 14,551 |
| | <u>\$ 14,551</u> | <u>\$ 570,523</u> | <u>\$ -</u> | <u>\$ 585,074</u> |
| Swap liability | <u>\$ -</u> | <u>\$ (267,623)</u> | <u>\$ -</u> | <u>\$ (267,623)</u> |

| | Fair Value at June 30, 2013 | | | |
|------------------------|-----------------------------|---------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Fixed Income AAAB Bond | \$ - | \$ 492,646 | \$ - | \$ 492,646 |
| Money Market Funds | 567 | - | - | 567 |
| | <u>\$ 567</u> | <u>\$ 492,646</u> | <u>\$ -</u> | <u>\$ 493,213</u> |
| Swap liability | <u>\$ -</u> | <u>\$ (393,010)</u> | <u>\$ -</u> | <u>\$ (393,010)</u> |

The Organization's investments and interest rate swap are reported at fair value in the accompanying consolidated statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments and interest rate swap. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 3 inputs were available to the Organization.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED JUNE 30, 2014 AND 2013

17. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1 – Fair Value Measurements

The fair value of money market funds is based on quoted net asset values (“NAV”) of the shares held by the Organization at year-end.

Level 2 – Fair Value Measurements

The fair value of government and corporate bonds (“bonds”) are valued based on the net asset values (“NAV”) of units held by the Organization at year-end. Although the bonds are not available in an active market, the NAV of the units are approximated based on the quoted prices of the underlying investments that are traded in an active market. The fair value of the interest rate swap liability is valued based on a financial model which incorporates assumptions regarding past, present and future market conditions. Although this liability is not traded on the active market, management feels this method approximates fair value.

18. CONSOLIDATION OF VARIABLE INTEREST ENTITIES

A variable interest entity (“VIE”) is consolidated if the VIE has either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity's activities. SNPT is the only VIE within these consolidated financial statements and was established to hold and invest assets on behalf of participating clients of certain programs.

The Organization is the primary beneficiary of SNPT based on results of a qualitative assessment that the Organization has both the power to direct the activities that most significantly impact SNPT’s economic performance.

Assets, liabilities and capital related to this VIE included in the consolidated statements of financial position (before eliminations) as of June 30, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|-------------------------|------------|------------|
| Limited use investments | \$ 585,074 | \$ 493,213 |
| Equity | (585,074) | (493,213) |
| | \$ - | \$ - |

19. OTHER COMMITMENTS AND CONTINGENCIES

Litigation

The Organization is currently defending itself in several ongoing lawsuits. All estimated costs relating to these actions have been included in accrued expenses or are covered under existing insurance policies.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

19. OTHER COMMITMENTS AND CONTINGENCIES (CONTINUED)

Guarantee Commitment

The Organization has applied the disclosure provisions of Topic 460 of the FASB Accounting Standards Codification, "Guarantees", to its agreements that contain guarantee clauses. These disclosure provisions expand those required by Topic 450 of the FASB Accounting Standards Codification, "Contingencies", by requiring a guarantor to disclose certain types of guarantees, even if the likelihood of requiring the guarantor's performance is remote. Topic 460 requires the Organization to record the guarantee commitments as liabilities in the statements of financial position, starting with guarantees entered into after December 31, 2002, rather than simply disclosing the guarantee commitments in the financial statement footnotes. The following is a description of the arrangement in which the Organization is the guarantor.

The Organization has guaranteed that there will be funds available in an entity partially owned by Murex Investments over a ten year period to match similar amounts provided by the Small Business Administration (SBA). The entity will use these funds for technical assistance in its investment program. If the entity cannot generate funds equal to the funds provided by the SBA for paying its technical assistance costs, then the Organization must provide the funds. At June 30, 2013, the Organization has received restricted contributions and grants available to fund this project, if necessary. During fiscal year 2014, the time period associated with this guarantee commitment has passed and the Organization was not required to provide funds. The present value of the liability at June 30, 2014 and 2013 was \$0 and \$5,600, respectively, and is reported as part of accounts payable and accrued expenses at June 30, 2014 and 2013 in the consolidated statements of financial position.

Other Commitments

SQA Pharmacy has a prime vendor agreement. This agreement provides that this vendor will be its primary provider of prescription and over-the-counter drugs purchased for resale.

20. UNCERTAIN TAX POSITIONS

Management of the Organization considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities, including changes to the Organization's status as a not-for-profit entity. Management believes RHD, SQ and NPHO met the requirements to maintain its tax-exempt status and has not identified any uncertain tax positions subject to the unrelated business income tax that require recognition or disclosure in the accompanying consolidated financial statements. Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying consolidated financial statements related to Murex Investments and Murex, as well as its related for-profit entities. The Organization's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

21. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through December 10, 2014, the date on which the consolidated financial statements were available to be issued.

Murex Investments Inc. has an investment in a Small Business Administration leveraged New Markets Venture Capital Company, Murex Investments I LP. Subsequent to June 30, 2014, events occurred that Management believes may adversely impact the carrying value of this investment and the future repayment of the participating loan agreements reflected on the Statement of Financial Position of Murex Investments Inc.

As of the date of this report, December 10, 2014, Management is unable to quantify the effect of these occurrences on the future value of the asset and the related debt.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors and Officers
Resources for Human Development, Inc. and Subsidiaries

We have audited the consolidated financial statements of Resources for Human Development, Inc. and Subsidiaries as of and for the years ended June 30, 2014 and 2013, and have issued our report thereon dated December 10, 2014, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial statements and selected notes included on pages 36-42 are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information had been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures including comparing and reconciling such information directly to underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated statements themselves and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the consolidating information, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.



Philadelphia, Pennsylvania
December 10, 2014

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014

| ASSETS | Resources for Human Development, Inc. | | | | Other Entities | | | Eliminations | Total |
|--|---------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------------|------------------------------|----------------------|----------------------|
| | Operating | Equipment | Social Investment | Total | Murex Corporation | Murex Investments, Inc. | SQ Foundation NPHO & SNPT | | |
| Current assets: | | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ 154,001 | \$ 49,884 | \$ 28,553 | \$ - | \$ 232,438 |
| Limited use cash and cash equivalents, representative payee cash funds | 1,490,930 | - | - | 1,490,930 | - | - | - | - | 1,490,930 |
| Limited use investments | - | - | - | - | - | - | 585,074 | - | 585,074 |
| Accounts receivable, net of allowance for doubtful accounts of \$2,083,903 | 36,330,108 | - | - | 36,330,108 | 330,505 | 3,293 | 20,898 | (113,843) | 36,570,961 |
| Advances and loans, current portion and net of allowance for uncollectible advances and loans of \$100,248 | - | - | - | - | 23,698 | 23,337 | - | - | 47,035 |
| Inventory | 135,142 | - | - | 135,142 | 515,495 | - | - | - | 650,637 |
| Prepaid expenses | 2,123,342 | - | - | 2,123,342 | 705,724 | 1,435 | - | - | 2,830,501 |
| Interfund | 4,691,974 | - | - | 4,691,974 | - | - | - | (4,691,974) | - |
| Total current assets | 44,771,496 | - | - | 44,771,496 | 1,729,423 | 77,949 | 634,525 | (4,805,817) | 42,407,576 |
| Property and equipment, net | - | 21,578,036 | - | 21,578,036 | 5,291,191 | - | - | - | 26,869,227 |
| Equity investments in companies | 40,553 | - | - | 40,553 | 36,000 | 936,706 | - | - | 1,013,259 |
| Advances and loans, net of current portion and allowance for uncollectible advances and loans of \$186,476 | 6,092 | - | 2,157,113 | 2,163,205 | 147,961 | 40,554 | - | (2,157,148) | 194,572 |
| Other assets | 26,854 | 11,303 | - | 38,157 | 139,240 | 314,267 | - | - | 491,664 |
| Total assets | \$ 44,844,995 | \$ 21,589,339 | \$ 2,157,113 | \$ 68,591,447 | \$ 7,343,815 | \$ 1,369,476 | \$ 634,525 | \$(6,962,965) | \$ 70,976,298 |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2014

| | Resources for Human Development, Inc. | | | | Other Entities | | | Eliminations | Total |
|---|---------------------------------------|----------------------|---------------------|----------------------|---------------------|-------------------------|---------------------------|-----------------------|----------------------|
| | Operating | Equipment | Social Investment | Total | Murex Corporation | Murex Investments, Inc. | SQ Foundation NPHO & SNPT | | |
| LIABILITIES AND NET ASSETS | | | | | | | | | |
| Current liabilities: | | | | | | | | | |
| Lines of credit and short-term borrowings | \$ - | \$ 2,170,347 | \$ - | \$ 2,170,347 | \$ 650,000 | \$ - | \$ - | \$ (650,000) | \$ 2,170,347 |
| Current portion of long-term debt | - | 920,360 | - | 920,360 | 110,612 | - | - | - | 1,030,972 |
| Obligation under capital lease | - | 74,974 | - | 74,974 | - | - | - | - | 74,974 |
| Accounts payable and accrued expenses | 27,394,616 | - | - | 27,394,616 | 616,777 | 792,469 | 20,898 | (117,447) | 28,707,313 |
| Deferred revenue | 2,249,656 | - | - | 2,249,656 | 944 | - | - | - | 2,250,600 |
| Contract advances, current | 226,288 | - | - | 226,288 | - | - | - | - | 226,288 |
| Deferred credits, current | - | 3,000 | - | 3,000 | - | - | - | - | 3,000 |
| Due to custodial clients | 1,490,930 | - | - | 1,490,930 | - | - | - | - | 1,490,930 |
| Interfund | - | 4,023,156 | 668,818 | 4,691,974 | - | - | - | (4,691,974) | - |
| Total current liabilities | 31,361,490 | 7,191,837 | 668,818 | 39,222,145 | 1,378,333 | 792,469 | 20,898 | (5,459,421) | 35,954,424 |
| Long-term liabilities: | | | | | | | | | |
| Long-term debt, net of current portion | - | 8,430,038 | - | 8,430,038 | 4,331,862 | 996,286 | - | - | 13,758,186 |
| Contract advances, net of current portion | 226,628 | - | - | 226,628 | - | - | - | - | 226,628 |
| Deferred credits, net of current portion | - | 36,000 | - | 36,000 | - | - | - | - | 36,000 |
| Retirement plans, net of current portion | 249,336 | - | - | 249,336 | - | - | - | - | 249,336 |
| Other | 314,863 | - | - | 314,863 | 3,568,333 | 151,924 | 494,100 | (4,214,357) | 314,863 |
| Total liabilities | 32,152,317 | 15,657,875 | 668,818 | 48,479,010 | 9,278,528 | 1,940,679 | 514,998 | (9,673,778) | 50,539,437 |
| Stockholders' equity: | | | | | | | | | |
| Common stock | - | - | - | - | 100 | - | - | (100) | - |
| Additional paid in capital | - | - | - | - | 608,330 | 4,106,010 | - | (4,714,340) | - |
| Accumulated deficit | - | - | - | - | (2,543,143) | (4,677,213) | - | 7,220,356 | - |
| Net assets: | | | | | | | | | |
| Unrestricted | 9,952,813 | 5,840,425 | 1,488,295 | 17,281,533 | - | - | (465,547) | 204,897 | 17,020,883 |
| Temporarily restricted | 2,739,865 | 91,039 | - | 2,830,904 | - | - | - | - | 2,830,904 |
| Total net assets before noncontrolling interests | 12,692,678 | 5,931,464 | 1,488,295 | 20,112,437 | (1,934,713) | (571,203) | (465,547) | 2,710,813 | 19,851,787 |
| Noncontrolling interests | - | - | - | - | - | - | 585,074 | - | 585,074 |
| Total net assets | 12,692,678 | 5,931,464 | 1,488,295 | 20,112,437 | (1,934,713) | (571,203) | 119,527 | 2,710,813 | 20,436,861 |
| Total liabilities and net assets | \$ 44,844,995 | \$ 21,589,339 | \$ 2,157,113 | \$ 68,591,447 | \$ 7,343,815 | \$ 1,369,476 | \$ 634,525 | \$ (6,962,965) | \$ 70,976,298 |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF UNRESTRICTED REVENUES, EXPENDITURES
AND OTHER CHANGES IN UNRESTRICTED NET ASSETS
YEAR ENDED JUNE 30, 2014

| | Resources for Human Development, Inc. | | | | Other Entities | | | Eliminations | Total |
|--|---------------------------------------|------------------|-------------------|--------------------|-------------------|-------------------------|---------------------------|------------------|--------------------|
| | Operating | Equipment | Social Investment | Total | Murex Corporation | Murex Investments, Inc. | SQ Foundation NPHO & SNPT | | |
| Support, revenue and other: | | | | | | | | | |
| Support and revenue: | | | | | | | | | |
| Federal | \$ 6,565,865 | \$ - | \$ - | \$ 6,565,865 | \$ - | \$ - | \$ - | \$ - | \$ 6,565,865 |
| Medicaid | 111,230,983 | - | - | 111,230,983 | - | - | - | - | 111,230,983 |
| Managed care | 39,650,035 | - | - | 39,650,035 | - | - | - | - | 39,650,035 |
| City of Philadelphia, PA | 22,275,361 | - | - | 22,275,361 | - | - | 196,818 | - | 22,472,179 |
| Montgomery County, PA | 8,427,501 | - | - | 8,427,501 | - | - | - | - | 8,427,501 |
| Other state and local | 36,546,952 | - | - | 36,546,952 | - | - | - | - | 36,546,952 |
| Patient/client fees | 12,195,100 | - | - | 12,195,100 | - | - | - | - | 12,195,100 |
| Other fees and sales | 1,900,160 | - | - | 1,900,160 | 6,349,678 | - | - | (793,594) | 7,456,244 |
| Grants and donations | 1,330,165 | 257,000 | - | 1,587,165 | - | - | 25,000 | (25,000) | 1,587,165 |
| Interest and miscellaneous | 1,111,124 | - | 15,000 | 1,126,124 | 43,173 | 8,292 | 19,542 | (11,165) | 1,185,966 |
| Total unrestricted support and revenue | 241,233,246 | 257,000 | 15,000 | 241,505,246 | 6,392,851 | 8,292 | 241,360 | (829,759) | 247,317,990 |
| Net assets released from temporary restrictions | 791,580 | 18,217 | 254,759 | 1,064,556 | - | - | - | - | 1,064,556 |
| Fund transfer | (3,276,818) | 3,142,308 | 134,510 | - | - | - | - | - | - |
| Total unrestricted support, revenue and other | 238,748,008 | 3,417,525 | 404,269 | 242,569,802 | 6,392,851 | 8,292 | 241,360 | (829,759) | 248,382,546 |
| Expenditures: | | | | | | | | | |
| Program | 209,594,762 | 3,132,220 | 151,392 | 212,878,374 | - | - | 212,982 | (511,323) | 212,580,033 |
| Management and general | 28,366,031 | 1,172,387 | 134,510 | 29,672,928 | - | - | 27,784 | (135,168) | 29,565,544 |
| Fundraising | 360,049 | - | - | 360,049 | - | - | - | - | 360,049 |
| Other operating | - | - | - | - | 6,710,722 | 95,663 | - | (317,777) | 6,488,608 |
| Total expenditures | 238,320,842 | 4,304,607 | 285,902 | 242,911,351 | 6,710,722 | 95,663 | 240,766 | (964,268) | 248,994,234 |
| Income (loss) from operations | 427,166 | (887,082) | 118,367 | (341,549) | (317,871) | (87,371) | 594 | 134,509 | (611,688) |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF UNRESTRICTED REVENUES, EXPENDITURES
AND OTHER CHANGES IN UNRESTRICTED NET ASSETS (CONTINUED)
YEAR ENDED JUNE 30, 2014

| | Resources for Human Development, Inc. | | | | Other Entities | | | Eliminations | Total |
|---|---------------------------------------|---------------------|-------------------|---------------------|---------------------|-------------------------|---------------------------|-------------------|---------------------|
| | Operating | Equipment | Social Investment | Total | Murex Corporation | Murex Investments, Inc. | SQ Foundation NPHO & SNPT | | |
| Other changes in unrestricted net assets: | | | | | | | | | |
| Equity in net loss of investments | - | - | - | - | - | (137,147) | - | - | (137,147) |
| Change in fair value of interest rate swap | 125,387 | - | - | 125,387 | - | - | - | - | 125,387 |
| Total other changes in unrestricted net assets | 125,387 | - | - | 125,387 | - | (137,147) | - | - | (11,760) |
| Changes in unrestricted net assets before noncontrolling interests and capital distributions | 552,553 | (887,082) | 118,367 | (216,162) | (317,871) | (224,518) | 594 | 134,509 | (623,448) |
| Transfer of capital from noncontrolling interest | - | - | - | - | 362,069 | - | - | - | 362,069 |
| Noncontrolling interests in net income of investments | - | - | - | - | - | - | (1,760) | - | (1,760) |
| Changes in unrestricted net assets before capital distributions | 552,553 | (887,082) | 118,367 | (216,162) | 44,198 | (224,518) | (1,166) | 134,509 | (263,139) |
| Capital distributions | - | - | - | - | (166,667) | - | - | - | (166,667) |
| Changes in unrestricted net assets | \$ 552,553 | \$ (887,082) | \$ 118,367 | \$ (216,162) | \$ (122,469) | \$ (224,518) | \$ (1,166) | \$ 134,509 | \$ (429,806) |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2014

| | Resources for Human Development, Inc. | | | | Other Entities | | | Eliminations | Total |
|--|---------------------------------------|---------------------|---------------------|----------------------|-----------------------|-------------------------|---------------------------|---------------------|----------------------|
| | Operating | Equipment | Social Investment | Total | Murex Corporation | Murex Investments, Inc. | SQ Foundation NPHO & SNPT | | |
| Unrestricted net assets: | | | | | | | | | |
| Total unrestricted support and revenue | \$ 241,233,246 | \$ 257,000 | \$ 15,000 | \$ 241,505,246 | \$ 6,392,851 | \$ 8,292 | \$ 241,360 | \$ (829,759) | \$ 247,317,990 |
| Net assets released from temporary restrictions | 791,580 | 18,217 | 254,759 | 1,064,556 | - | - | - | - | 1,064,556 |
| Fund transfer | (3,276,818) | 3,142,308 | 134,510 | - | - | - | - | - | - |
| Total expenditures | (238,320,842) | (4,304,607) | (285,902) | (242,911,351) | (6,710,722) | (95,663) | (240,766) | 964,268 | (248,994,234) |
| Equity in net loss of investments | - | - | - | - | - | (137,147) | - | - | (137,147) |
| Change in fair value of interest rate swap | 125,387 | - | - | 125,387 | - | - | - | - | 125,387 |
| Noncontrolling interests in net income of investments | - | - | - | - | - | - | (1,760) | - | (1,760) |
| Transfer of capital from noncontrolling interest | - | - | - | - | 362,069 | - | - | - | 362,069 |
| Capital distributions | - | - | - | - | (166,667) | - | - | - | (166,667) |
| Changes in unrestricted net assets | 552,553 | (887,082) | 118,367 | (216,162) | (122,469) | (224,518) | (1,166) | 134,509 | (429,806) |
| Temporarily restricted net assets: | | | | | | | | | |
| Contributions | 1,170,513 | 32,168 | - | 1,202,681 | - | - | - | - | 1,202,681 |
| Net assets released from temporary restrictions | (791,580) | (18,217) | (254,759) | (1,064,556) | - | - | - | - | (1,064,556) |
| Changes in temporarily restricted net assets | 378,933 | 13,951 | (254,759) | 138,125 | - | - | - | - | 138,125 |
| Changes in total net assets before noncontrolling interests | 931,486 | (873,131) | (136,392) | (78,037) | (122,469) | (224,518) | (1,166) | 134,509 | (291,681) |
| Noncontrolling interests: | | | | | | | | | |
| Net income of investments | - | - | - | - | - | - | 1,760 | - | 1,760 |
| Contributions | - | - | - | - | - | - | 104,380 | - | 104,380 |
| Distributions | - | - | - | - | - | - | (14,279) | - | (14,279) |
| Transfer of capital | - | - | - | - | (362,069) | - | - | - | (362,069) |
| Changes in noncontrolling interests | - | - | - | - | (362,069) | - | 91,861 | - | (270,208) |
| Change in total net assets | 931,486 | (873,131) | (136,392) | (78,037) | (484,538) | (224,518) | 90,695 | 134,509 | (561,889) |
| Total net assets, beginning of year | 11,761,192 | 6,804,595 | 1,624,687 | 20,190,474 | (1,450,175) | (346,685) | 28,832 | 2,576,304 | 20,998,750 |
| Total net assets, end of year | \$ 12,692,678 | \$ 5,931,464 | \$ 1,488,295 | \$ 20,112,437 | \$ (1,934,713) | \$ (571,203) | \$ 119,527 | \$ 2,710,813 | \$ 20,436,861 |

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
SELECTED NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

1. CONSOLIDATING FINANCIAL STATEMENTS, BASIS OF PRESENTATION

Resources for Human Development, Inc.

Operating

The Operating column reflects the operating activities of RHD, excluding activities associated with the acquisition and depreciation of property and equipment (equipment column) and activities associated with certain restricted or designated grants and donations (social investment column).

Equipment

The acquisition cost, related depreciation and related debt of the property and equipment utilized within RHD programs is reflected in the Equipment column. The cost of property and equipment is included in program budgets and is typically funded directly or indirectly by governmental contracts or restricted grants and donations. The cost of property and equipment acquired is funded by operations or restricted grants and donations. Payment of principal on debt incurred to purchase property and equipment is also funded by annual transfers from operations. Expenditures reflected in the Equipment column represent the depreciation on property and equipment.

Net assets reflected on the consolidating statements of financial position will be utilized to fund future implementation of capital projects and offset depreciation in future years.

Social Investment

RHD receives grants and donations that are restricted or designated to be utilized for investment in companies and ventures, both for-profit and not-for-profit, which have a social impact. RHD historically has utilized this funding through investments made in its for-profit subsidiaries, Murex and Murex Investments, Inc., or loans and advances to these entities. The assets, liabilities and net assets associated with this activity are reflected on the consolidating statements of financial position. The revenue and expenditures, as well as the loss on investments made are reflected on the consolidating statements of unrestricted revenues, expenditures and other changes in unrestricted net assets and the consolidating statements of changes in net assets.

During the fiscal year, RHD transferred \$134,510 to the Social Investment column from the Operating column primarily for activities funded by operations that may not be recovered through social investment activities.

Other Entities

As discussed in footnote 1 in the Notes to consolidated financial statements, 100% of Murex Corporation and 93% of Murex Investments, Inc. are owned by RHD. In addition, RHD has control of two related not-for-profit organizations, The Non-Profit Housing Corporation of Pennsylvania and The SQ Foundation, as well as one trust, The RHD Special Needs Pooled Trust. The activity for these entities is reflected in the consolidating financial statements. In addition, the loss from RHD's investment in these entities is reflected in the Social Investment column within RHD. All activity between these entities has been eliminated and the eliminated activity is reflected in the Eliminations column on the consolidating financial statements.

RESOURCES FOR HUMAN DEVELOPMENT, INC. AND SUBSIDIARIES
SELECTED NOTES TO SUPPLEMENTARY INFORMATION (CONTINUED)
YEAR ENDED JUNE 30, 2014

1. CONSOLIDATING FINANCIAL STATEMENTS, BASIS OF PRESENTATION (CONTINUED)

Other Entities (continued)

The following entities have been consolidated with Murex Corporation and are reflected in the consolidating financial statements: Murex Motors Inc., SQA Pharmacy, LLC, Murex High Street, Inc., High Street Manor Associates, LP (High Street), Murex TRS, Inc. and TRS, LLP (Taunton Run).