

HEALTH RESOURCES in ACTION, INC.

Financial Statements

June 30, 2014

HEALTH RESOURCES in ACTION, INC.

Index

June 30, 2014

Independent Auditors' Report

Financial Statements:

Statement of Financial Position as of June 30, 2014 with Comparative Totals as of June 30, 2013	1
Statement of Activities for the Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013	2
Statement of Changes in Net Assets for the Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013	3
Statement of Cash Flows for the Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013	4
Statement of Functional Expenses for the Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013	5
Notes to Financial Statements	6-21



Independent Auditors' Report

To the Board of Directors of
Health Resources in Action, Inc.

We have audited the accompanying financial statements of Health Resources in Action, Inc. (a nonprofit organization), (the Agency), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustment to Prior Period Financial Statements

The financial statements of the Agency as of June 30, 2013, were audited by other auditors whose opinion dated January 21, 2014, on those statements was unmodified. As discussed in Note 11 to the financial statements, the Agency's 2013 financial statements have been restated for the correction of an error. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

The financial statements of the Agency as of June 30, 2013, were audited by other auditors whose opinion dated January 21, 2014, on those financial statements was unmodified. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.



December 17, 2014

HEALTH RESOURCES in ACTION, INC.

Statement of Financial Position

As of June 30, 2014 with Comparative Totals as of June 30, 2013

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 291,556	\$ 2,129,057
Short-term investments	128,052	122,769
Contracts and other receivables, net of allowance	3,117,598	3,500,689
Pledges receivable, current portion	906,820	845,113
Prepaid expenses and deposits	<u>46,479</u>	<u>57,122</u>
Total Current Assets	<u>4,490,505</u>	<u>6,654,750</u>
Fixed Assets		
Leasehold improvements	242,981	230,334
Furniture and equipment	<u>293,007</u>	<u>219,601</u>
Total fixed assets	535,988	449,935
Less: accumulated depreciation	<u>(361,763)</u>	<u>(355,322)</u>
Total Net Fixed Assets	<u>174,225</u>	<u>94,613</u>
Other Assets		
Pledges receivable, net of current portion	343,250	640,000
Investments	<u>2,443,338</u>	<u>2,406,578</u>
Total Other Assets	<u>2,786,588</u>	<u>3,046,578</u>
Total Assets	<u>\$ 7,451,318</u>	<u>\$ 9,795,941</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 942,407	\$ 856,656
Accrued expenses	106,993	187,841
Research grants payable, current portion	1,056,983	2,452,000
Deferred revenue	<u>127,175</u>	<u>-</u>
Total Current Liabilities	<u>2,233,558</u>	<u>3,496,497</u>
Long Term Liabilities		
Research grants payable, net of current portion	<u>-</u>	<u>279,000</u>
Total Liabilities	<u>2,233,558</u>	<u>3,775,497</u>
Net Assets		
Unrestricted net assets		
Operating	(335,187)	(382,371)
Board designated for long-term investments	<u>2,081,591</u>	<u>1,850,258</u>
Total unrestricted net assets	<u>1,746,404</u>	<u>1,467,887</u>
Temporarily restricted net assets		
Community Health Division	2,565,613	2,575,414
Medical Foundation Division	145,426	1,289,519
Unrealized and realized gains on permanently restricted net assets	281,565	208,872
Working Capital	<u>200,000</u>	<u>200,000</u>
Total temporarily restricted net assets	<u>3,192,604</u>	<u>4,273,805</u>
Permanently restricted net assets	<u>278,752</u>	<u>278,752</u>
Total Net Assets	<u>5,217,760</u>	<u>6,020,444</u>
Total Liabilities and Net Assets	<u>\$ 7,451,318</u>	<u>\$ 9,795,941</u>

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

HEALTH RESOURCES in ACTION, INC.

Statement of Activities

For the Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2013</u>
Support and Revenues					
Contract service revenue and fees	\$ 8,829,466	\$ -	\$ -	\$ 8,829,466	\$ 9,866,133
Grants and contributions	24,936	2,692,969	-	2,717,905	5,788,168
Donated services	915,300	-	-	915,300	947,250
United Way funding	119,997	-	-	119,997	134,086
Spending policy appropriated for operations	122,769	-	-	122,769	114,000
Other revenue	846	-	-	846	-
Net assets released from purpose restrictions	<u>3,846,863</u>	<u>(3,846,863)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>13,860,177</u>	<u>(1,153,894)</u>	<u>-</u>	<u>12,706,283</u>	<u>16,849,637</u>
Operating Expenses					
Program services					
Community Health Division	8,998,677	-	-	8,998,677	9,050,508
Medical Foundation Division	<u>3,113,362</u>	<u>-</u>	<u>-</u>	<u>3,113,362</u>	<u>7,014,860</u>
Total program services	<u>12,112,039</u>	<u>-</u>	<u>-</u>	<u>12,112,039</u>	<u>16,065,368</u>
Supporting services					
General and administrative	1,375,649	-	-	1,375,649	1,460,846
Fundraising and development	<u>299,212</u>	<u>-</u>	<u>-</u>	<u>299,212</u>	<u>171,352</u>
Total supporting services	<u>1,674,861</u>	<u>-</u>	<u>-</u>	<u>1,674,861</u>	<u>1,632,198</u>
Total operating expenses	<u>13,786,900</u>	<u>-</u>	<u>-</u>	<u>13,786,900</u>	<u>17,697,566</u>
Change in net assets from operations	<u>73,277</u>	<u>(1,153,894)</u>	<u>-</u>	<u>(1,080,617)</u>	<u>(847,929)</u>
Other Revenue (Expense)					
Net realized and unrealized gains on investments	318,477	72,693	-	391,170	293,498
Investment income - Board designated	58,415	-	-	58,415	62,919
Investment management fees	(22,790)	-	-	(22,790)	(21,307)
Spending policy appropriated for operations	(122,769)	-	-	(122,769)	(114,000)
Loss on disposal of fixed assets	<u>(26,093)</u>	<u>-</u>	<u>-</u>	<u>(26,093)</u>	<u>(186,743)</u>
Total Other Revenue (Expense)	<u>205,240</u>	<u>72,693</u>	<u>-</u>	<u>277,933</u>	<u>34,367</u>
Change in Net Assets	278,517	(1,081,201)	-	(802,684)	(813,562)
Net Assets at Beginning of Year, as restated	<u>1,467,887</u>	<u>4,273,805</u>	<u>278,752</u>	<u>6,020,444</u>	<u>6,834,006</u>
Net Assets at End of Year	<u>\$ 1,746,404</u>	<u>\$ 3,192,604</u>	<u>\$ 278,752</u>	<u>\$ 5,217,760</u>	<u>\$ 6,020,444</u>

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

HEALTH RESOURCES in ACTION, INC.

Statement of Changes in Net Assets

For the Year Ended June 30, 2014 with Comparative totals for the Year Ended June 30, 2013

	<u>Unrestricted</u>			<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	<u>Operating</u>	<u>Board Designated</u>	<u>Total</u>			
Net Assets, June 30, 2012, as resated	\$ (98,653)	\$ 1,679,730	\$ 1,581,077	\$ 4,974,177	\$ 278,752	\$ 6,834,006
Change in net assets	(96,975)	-	(96,975)	(750,954)	-	(847,929)
Investment return	-	284,528	284,528	-	-	284,528
Spending policy transfer	-	(114,000)	(114,000)	50,582	-	(63,418)
Loss on disposal of fixed assets	<u>(186,743)</u>	<u>-</u>	<u>(186,743)</u>	<u>-</u>	<u>-</u>	<u>(186,743)</u>
Net Assets, June 30, 2013, as resated	(382,371)	1,850,258	1,467,887	4,273,805	278,752	6,020,444
Change in net assets	73,277	-	73,277	(1,153,894)	-	(1,080,617)
Investment return	-	354,102	354,102	-	-	354,102
Spending policy transfer	-	(122,769)	(122,769)	72,693	-	(50,076)
Loss on disposal of fixed assets	<u>(26,093)</u>	<u>-</u>	<u>(26,093)</u>	<u>-</u>	<u>-</u>	<u>(26,093)</u>
Net Assets, June 30, 2014	\$ <u>(335,187)</u>	\$ <u>2,081,591</u>	\$ <u>1,746,404</u>	\$ <u>3,192,604</u>	\$ <u>278,752</u>	\$ <u>5,217,760</u>

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

HEALTH RESOURCES in ACTION, INC.

Statement of Cash Flows

For the Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (802,684)	\$ (813,562)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	42,581	16,547
Change in allowance for doubtful accounts	(16,570)	(38,307)
Net unrealized and realized gains on investments	(391,170)	(293,498)
Loss on disposal of fixed assets	26,093	236,743
Decrease (increase) in assets		
Contracts and other receivables	399,661	(716,421)
Pledges receivable	235,043	2,231,808
Prepaid expenses and deposits	10,643	(12,382)
Increase (decrease) in liabilities		
Accounts payable	85,751	134,827
Accrued expenses	(80,848)	(7,206)
Research grant payables	(1,674,017)	(769,171)
Deferred revenue	127,175	-
Net Cash Used in Operating Activities	<u>(2,038,342)</u>	<u>(30,622)</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	(148,286)	(90,950)
Proceeds from the sale of investments	601,303	789,620
Purchase of investments	(252,176)	(506,689)
Net Cash Provided by Investing Activities	<u>200,841</u>	<u>191,981</u>
Cash Flows from Financing Activities		
Repayments on line of credit	(200,000)	-
Proceeds from line of credit	200,000	-
Net Cash Used in Financing Activities	<u>-</u>	<u>-</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(1,837,501)	161,359
Cash and Cash Equivalents - Beginning (See Note 11)	<u>2,129,057</u>	<u>1,967,698</u>
Cash and Cash Equivalents - Ending	<u>\$ 291,556</u>	<u>\$ 2,129,057</u>
Supplement Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 1,917</u>	<u>\$ -</u>
Supplement Data for Noncash Investing and Financing Activities		
Unrealized gains on investment	<u>\$ 222,620</u>	<u>\$ 229,557</u>

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

HEALTH RESOURCES in ACTION, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013

	2014						2013	
	Program Services			Supporting Services			Total Expenses	Total Expenses
	Community Health Division	Medical Foundation Division	Total Program Services	General and Administrative	Fundraising and Development	Total Supporting Services		
Personnel and Related Costs								
Salaries	\$ 3,243,554	\$ 378,912	\$ 3,622,466	\$ 690,356	\$ 177,748	\$ 868,104	\$ 4,490,570	\$ 4,507,145
Employee benefits	585,398	71,606	657,004	126,684	33,836	160,520	817,524	689,365
Payroll taxes	232,983	27,215	260,198	49,892	12,687	62,579	322,777	438,740
Temporary help	6,353	80	6,433	31,005	-	31,005	37,438	79,875
Total Personnel and Related Costs	<u>4,068,288</u>	<u>477,813</u>	<u>4,546,101</u>	<u>897,937</u>	<u>224,271</u>	<u>1,122,208</u>	<u>5,668,309</u>	<u>5,715,125</u>
Donated Services	-	915,300	915,300	-	-	-	915,300	947,250
Outside Services								
Consultants	683,497	74,907	758,404	136,014	41,359	177,373	935,777	1,293,818
Subcontractors	1,372,799	-	1,372,799	-	-	-	1,372,799	843,611
Total Outside Services	<u>2,056,296</u>	<u>74,907</u>	<u>2,131,203</u>	<u>136,014</u>	<u>41,359</u>	<u>177,373</u>	<u>2,308,576</u>	<u>2,137,429</u>
Occupancy								
Rent	318,865	39,363	358,228	75,031	12,817	87,848	446,076	513,605
Utilities and facility costs	50,757	1,000	51,757	17,411	316	17,727	69,484	30,723
Insurance	-	-	-	25,400	-	25,400	25,400	20,754
Total Occupancy	<u>369,622</u>	<u>40,363</u>	<u>409,985</u>	<u>117,842</u>	<u>13,133</u>	<u>130,975</u>	<u>540,960</u>	<u>565,082</u>
Training, Meetings and Conferences								
Meetings and conferences	201,356	44,070	245,426	32,592	6,497	39,089	284,515	356,118
Travel	158,138	26,531	184,669	10,290	1,316	11,606	196,275	137,796
Staff training	-	-	-	150	-	150	150	25,387
Training and educational supplies	1,955	49	2,004	-	-	-	2,004	15,584
Total Training, Meetings and Conferences	<u>361,449</u>	<u>70,650</u>	<u>432,099</u>	<u>43,032</u>	<u>7,813</u>	<u>50,845</u>	<u>482,944</u>	<u>534,885</u>
Other Costs								
Publications and media buys	465,107	1,482	466,589	8,406	2,408	10,814	477,403	647,452
Office supplies, small equipment and maintenance	172,456	7,464	179,920	34,414	1,734	36,148	216,068	117,874
Telephone and internet	65,122	6,141	71,263	13,074	1,922	14,996	86,259	88,621
Professional services	14,699	-	14,699	56,206	-	56,206	70,905	75,561
Mailing and postage	54,119	834	54,953	492	99	591	55,544	62,654
Data processing	48,547	20,262	68,809	10,700	397	11,097	79,906	36,040
Dues, memberships and subscriptions	4,357	4,453	8,810	8,464	6,034	14,498	23,308	33,150
Miscellaneous	5,617	125	5,742	6,487	42	6,529	12,271	29,913
Depreciation	-	-	-	42,581	-	42,581	42,581	16,547
Total Other Costs	<u>830,024</u>	<u>40,761</u>	<u>870,785</u>	<u>180,824</u>	<u>12,636</u>	<u>193,460</u>	<u>1,064,245</u>	<u>1,107,812</u>
Grant Awards	<u>1,312,998</u>	<u>1,493,568</u>	<u>2,806,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,806,566</u>	<u>6,689,983</u>
Total Functional Expenses	<u>\$ 8,998,677</u>	<u>\$ 3,113,362</u>	<u>\$ 12,112,039</u>	<u>\$ 1,375,649</u>	<u>\$ 299,212</u>	<u>\$ 1,674,861</u>	<u>\$ 13,786,900</u>	<u>\$ 17,697,566</u>

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

HEALTH RESOURCES in ACTION, INC.

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies followed by Health Resources in Action, Inc. (the Agency) are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

The Agency is a national nonprofit organization located in Boston, Massachusetts with a mission to help people live healthier lives and build healthy communities through policy, research, prevention and health promotion. Since its founding in 1957, the Agency has been a leader in developing innovative strategies and approaches to advance healthy communities and medical discoveries.

The following program divisions are listed in order of relative importance based upon total program expenditures:

The Agency's Community Health Division provides a broad range of services that include youth development, peer leadership, training and technical assistance, programmatic research and evaluation, strategic planning, organizational development, health communication and social marketing. The Agency works to build the capacity of coalitions, organizations, communities, government agencies, and the public health workforce. The Agency is skilled at working with and across multiple sectors and engaging non-traditional partners to build the capacity of coalitions, organizations, communities, and the public health workforce, including youth, regional planners, business leaders, faith-based communities, public safety, food systems, and economic and community development agencies. The Community Health Division accounted for 76% of total program expenditures for the year ended June 30, 2014.

The Agency's Medical Foundation Division works with private individuals, bank trusts and family foundations to design customized grant programs that accelerate medical discoveries. Each year, more than 100 internationally recognized scientists and physicians from across the United States and Europe serve on the scientific review committees and provide critical and unbiased evaluations of all applications and research progress reports. Through the Agency's Life Sciences Consulting Services, the Agency provides reports that can be tailored for either scientific or lay audiences for clients that wish to learn more about a specific disease or field of biomedical research. The Agency reviews, evaluates, and summarizes relevant scientific literature as well as assess the current funding landscape. The Agency identifies and interviews leaders in the field of interest. The Medical Foundation Division accounted for 24% of total program expenditures for the year ended June 30, 2014.

(b) Basis of Presentation

The statement of activities reports all changes in net assets, including changes in unrestricted net assets from operating and non-operating activities. Operating revenues consist of those monies received and other contributions attributable to the Agency's ongoing efforts. Investment income, realized and unrealized gains and losses on investments, net of related management fees are reported as non-operating revenue because such assets are managed for long-term stabilization of the Agency's activities.

HEALTH RESOURCES in ACTION, INC.

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies - continued

(c) *Standards of Accounting and Reporting*

The Agency's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents three classes of net assets (permanently restricted, temporarily restricted and unrestricted) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Agency are presented as follows:

Unrestricted - Unrestricted net assets are not subject to donor imposed restrictions. Unrestricted net assets consist of assets and contributions available for the support of operations. Unrestricted net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

Temporarily Restricted - Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Agency and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions, gains and investment income that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the contributions are recognized.

Permanently Restricted - Permanently restricted net assets reflect the original amount of gifts and investment earnings required by the donor to be permanently retained. Generally, the donors of these assets permit the Agency to use all or part of the income earned on related investments for general or specific purposes.

(d) *Cash and Cash Equivalents*

The Agency considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Agency maintains its cash balances at several financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation (SIPC). At times these balances may exceed the federal insurance or SIPC limits; however, the Agency has not experienced any losses with respect to its bank balances in excess of government provided or SIPC insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2014.

HEALTH RESOURCES in ACTION, INC.

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies - continued

(e) Investments

The Agency carries investments in marketable securities at fair value which is determined by quoted market prices. Changes in fair value are reflected in the statement of activities as gains or losses on investments. Investments are exposed to risks such as interest rate, credit and overall market volatility.

The Agency's investment policy sets forth guidelines for prudent investment of funds, taking into account liquidity, risk and return characteristics appropriate for different categories of holdings. In addition, the Agency has an investment committee which has set ranges for the composition of the investment portfolio. These ranges are evaluated by this committee on a periodic basis to determine that the investment portfolio is in line with the predetermined ranges.

The objectives for the management of the Agency's invested assets are to maximize the organizational growth of both principal value and income over time sufficient to preserve or increase the purchasing power of the assets. The Agency targets a diversified asset allocation that includes equities and fixed income investments within prudent risk constraints.

(f) Revenue Recognition

The Agency earns revenue as follows:

Contract service revenue and fees - Contracts revenue are earned and recognized by the Agency when units or services are provided and billed under various agreements funded primarily by governmental agencies. All contracts, consist of two types, unit-rate and cost-reimbursement contracts, all with ceiling amounts. Unit-rate contracts provide that revenue is to be earned and recognized at a negotiated or class rate for each unit-of-service that is provided under the terms of the contract. Under the cost-reimbursement contracts, revenue recognition takes place as costs related to the services provided are incurred. Billings on the contracts are subject to final approval by the governmental agency.

Contributions – Grants, contributions and United Way funding are recognized as revenue when received or unconditionally committed to the Agency.

Deferred revenue represents contract service revenue and fees received prior to year-end for the following fiscal period. These amounts are recognized as income during the subsequent fiscal period.

Substantially all of the Agency's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2014, the Agency derived approximately 45% of its total revenue from governmental agencies, 44% of its total revenue from individuals, foundations and corporations, and 11% from other sources. All revenue is recorded at the estimated net realizable amounts.

HEALTH RESOURCES in ACTION, INC.

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies - continued

(g) *Accounts Receivable*

The Agency's accounts receivable are comprised primarily of contracts receivable. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2014, the allowance for doubtful accounts was \$20,832.

The Agency does not have a policy to accrue interest on account receivables. The Agency has no policies requiring collateral or other security to secure the accounts receivable. As of June 30, 2014, 58% of the Agency's accounts receivable is due from foundations, institutions and other, 29% is due from the Massachusetts Department of Public Health and 13% is due from the Centers for Medicare and Medicaid Services.

(h) *Promises to Give*

Unconditional promises to give are recognized as revenue and as assets, net of allowances, in the period in which the promises are made. Unconditional promises to give are recorded, in the year received, at the present value of estimated future cash flows using a risk-adjusted discount rate. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and when the promises become unconditional.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of June 30, 2014, management has determined any allowance would be immaterial.

(i) *Fixed Assets*

Fixed assets are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

The Agency computes depreciation using the straight-line method over the following estimated lives:

Leasehold improvements	4-10 years
Equipment	5-10 years
Furniture	3-10 years

HEALTH RESOURCES in ACTION, INC.

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies - continued

(j) *Donated Services and Gifts in Kind*

Donated materials are reported as contributions in the financial statements at their estimated fair values at the time of receipt. Donated services are similarly reported when services are performed which would otherwise have been purchased or performed by Agency personnel.

The Agency depends on the donated services of many highly skilled professionals for help in evaluating the relevance of research grant proposals it receives. For the year ended June 30, 2014, donated services totaling \$915,300, representing 3,051 (unaudited) hours, have been recognized as income and expense on the accompanying financial statements and are reported at estimated fair value at the date of receipt.

(k) *Fair Value Measurements*

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

Level 1: Quoted prices for identical instruments traded in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Recurring Measurements

In accordance with GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Agency's assets that are adjusted to fair value on a recurring basis are investments in equity and debt securities. The Agency currently has no liabilities that are adjusted to fair value on a recurring basis.

Investments in Debt and Equity Securities

The fair values of investments in debt and equity securities using quoted market prices from daily exchange traded markets were based on the closing price as of the balance sheet date and were classified as Level 1. The fair values of investments in securities classified as Level 2 are priced using quoted market prices for similar instruments or nonbinding market prices that are corroborated by observable market data. Inputs into these valuation techniques include actual trade data, benchmark yields, broker/dealer quotes and other similar data. These inputs are obtained from quoted market prices, independent pricing vendors or other sources.

HEALTH RESOURCES in ACTION, INC.

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies - continued

(k) Fair Value Measurements - continued

Recurring Measurements - continued

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2014.

	Fair Value Measurements on a Recurring Basis			
	Level 1	Level 2	Level 3	Total
Fixed Income assets:				
Corporate debt securities	\$ -	\$ 124,828	\$ -	\$ 124,828
U.S. Treasury	-	58,689	-	58,689
State and municipal obligations	-	27,262	-	27,262
Daily money market fund	83,623	-	-	83,623
Common stocks and convertibles:				
Capital goods	478,806	-	-	478,806
Consumer non-durables	410,658	-	-	410,658
Financial	374,942	-	-	374,942
Business products and services	389,601	-	-	389,601
Energy	218,887	-	-	218,887
Consumer services	145,864	-	-	145,864
Basic Industries	85,870	-	-	85,870
Transportation	25,664	-	-	25,664
Foreign Assets:				
Equities	230,320	-	-	230,320
	<u>\$ 2,444,235</u>	<u>\$ 210,779</u>	<u>\$ -</u>	<u>\$ 2,655,014</u>

The Agency's investment in the daily market fund (Fund) is classified as a cash and cash equivalent for financial reporting purposes; however, the Fund invests in short term treasury securities and is subject to a level 1 fair value valuation.

The Agency's policy is to recognize transfers in and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the year ended June 30, 2014.

Non-recurring Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Agency records assets and liabilities at fair value on a non-recurring basis as required by GAAP. The Agency had no assets and liabilities measured at fair value on a non-recurring basis as of June 30, 2014.

HEALTH RESOURCES in ACTION, INC.

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies - continued

(l) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Payroll and associated costs as well as occupancy costs are allocated to functions based upon management's estimate of the percentage attributable to each program.

(m) Grants Payable

Research grants awarded for a one year period are expensed at the time the Agency approves awards. Research grants that extend beyond one year are not recorded due to conditions as outlined in the agreement, upon satisfaction of the conditions the research grant is recorded (see Note 7(b)).

(n) Advertising Costs

The Agency expenses advertising costs when they are incurred. Advertising expense was immaterial for the year ended June 30, 2014.

(o) Use of Estimates

In preparing the Agency's financial statements in conformity with GAAP, management is required 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(p) Income Taxes

The Agency qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and therefore is not subject to income tax. The Agency is not a private foundation under Section 509(a)(1). Certain unrelated business income, as defined in the IRC, is subject to federal income tax. For the year ended June 30, 2014, there was no liability for tax on unrelated business income.

GAAP prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2014, the Agency has determined that it has not taken any tax positions which would result in an uncertainty requiring recognition in the accompanying financial statements.

HEALTH RESOURCES in ACTION, INC.

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies - continued

(p) Income Taxes - continued

The Agency recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. There were no interest or penalties for the year ended June 30, 2014.

Generally, the Agency's information/tax returns remain open for possible federal income tax examination for three years after the filing date. The Agency is not currently under examination by any taxing jurisdiction.

(q) Reclassifications

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

(r) Summarized Financial Information for 2013

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2013, from which the summarized information is derived.

(2) Promises to Give

The Agency has received unconditional promises to give related to the creation and management of customized grant programs that support public health and medical research from private individuals, foundations and bank trusts. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be received more than a year after June 30, 2014 are recorded at the present value of their future cash flows using discount rates. No present value discount was recorded as of June 30, 2014, as it was immaterial to the financial statements. Uncollectible amounts of pledges receivable are expected to be immaterial. Accordingly, no provision has been made for uncollectible amounts.

The following is an analysis of the promises to give as of June 30, 2014:

2015	\$ 906,820
2016	343,250

HEALTH RESOURCES in ACTION, INC.

Notes to Financial Statements

June 30, 2014

(3) Investments

In a prior year, the Board of Directors designated funds to be set aside for particular purposes, including but not limited to, maximizing the organizational benefit intended by the donor, to provide funding to support programs and to achieve growth of both principal value and income over time sufficient to preserve or increase the purchasing power of the assets. As of June 30, 2014, all investments are classified as long-term except for the portion approved by the Board of Directors to be used for operations in accordance with the established investment spending policy. For the year ended June 30, 2014, the amount appropriated for operations totaled \$122,769.

For the composition of investments see Note 1(k).

Investment return consisted of the following for the year ended June 30, 2014:

Interest and dividends, net of management fees	\$ 35,625
Net realized and unrealized gain (loss)	<u>391,170</u>
Total net gain on investments	\$ <u>426,795</u>

A reconciliation of investment activity by net asset classification is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Investments</u>
Beginning Balance	\$ 1,863,364	\$ 408,872	\$ 278,752	\$ 2,550,988
Investment return				
Investment income	58,415	-	-	58,415
Net realized gains	137,228	31,322	-	168,550
Net unrealized gains	181,249	41,371	-	222,620
Investment management fees	<u>(22,790)</u>	<u>-</u>	<u>-</u>	<u>(22,790)</u>
Total investment return, net	<u>354,102</u>	<u>72,693</u>	<u>-</u>	<u>426,795</u>
Transfer to cash operating	-	(200,000)	-	(200,000)
Appropriation for operations	<u>(122,769)</u>	<u>-</u>	<u>-</u>	<u>(122,769)</u>
Ending Balance	\$ <u>2,094,697</u>	\$ <u>281,565</u>	\$ <u>278,752</u>	\$ <u>2,655,014</u>

(4) Line of Credit

The Agency has available a demand line of credit with Cambridge Trust Company (a Massachusetts bank) of \$500,000 to be drawn upon as needed, with interest at the prime rate plus .5%, or 3.75% as of June 30, 2014. The line is secured by the Agency's investments in debt and equity securities, with a minimum collateral requirement based upon 50% of eligible stock, 70% of eligible bonds, 70% of eligible mutual funds and 95% of eligible U.S government obligations. As of June 30, 2014 there is no outstanding balance. The line of credit renews annually.

HEALTH RESOURCES in ACTION, INC.

Notes to Financial Statements

June 30, 2014

(5) Operating Lease Commitments

The Agency occupies office and warehouse space under non-cancelable, operating lease agreements with various expiration dates through 2018. The Agency is also liable for certain real estate tax increases and operating cost adjustments under the lease terms. The minimum annual operating non-cancelable lease commitments on facilities for the Agency are as follows:

2015	\$ 464,247
2016	481,505
2017	473,805
2018	260,888

Facility rental expense for the year ended June 30, 2014 was \$446,076.

In addition, the Agency rents equipment under non-cancelable, operating lease agreements with various expiration dates through 2018. The minimum annual operating non-cancelable lease commitments on equipment for the Agency are as follows:

2015	\$ 13,931
2016	13,931
2017	13,931
2018	13,605

Equipment rental expense for the year ended June 30, 2014 was \$15,123.

(6) Grants and Administered Grants

The Agency awards grants through a variety of programs. The Agency directly awarded \$1,493,568 of these grants for the year ended June 30, 2014. The Agency also awarded \$1,312,998 of grants for its Community Health Division for the year ended June 30, 2014.

(7) Commitments and Contingencies

(a) Funding Sources

The Agency receives a portion of its funding from government agencies. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed, if any, and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

HEALTH RESOURCES in ACTION, INC.

Notes to Financial Statements

June 30, 2014

(7) Commitments and Contingencies - continued

(a) *Funding Sources - continued*

The Agency's operations are concentrated in the social service provider field. As such, the Agency operates in a heavily regulated environment. The operations of the Agency are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to the following:

United States Department of Health and Human Services
United States Environmental Protection Agency
United States Department of Education
Massachusetts Department of Public Health
Massachusetts Department of Children and Families

Such administrative directives, rules and regulations are subject to change by an act of Congress, act of the state and local legislature or an administrative change mandated by, the United States Departments or Commonwealth of Massachusetts Departments listed above. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Additionally, contractual funding may decrease or be withdrawn with little notice.

(b) *Conditional Grants*

The Agency has awarded conditional grants extending beyond one year totaling \$1,330,335 as of June 30, 2014. The Agency reserves the right to discontinue multi-year funding if satisfactory progress reports as defined in each grant agreement has not been met by the respective grantees. These amounts are not reported as liabilities on the Agency's statement of financial position as the conditions have not been met as of June 30, 2014.

Future obligations under the conditional grants expected to be paid out, if the conditions are met, by the Agency is as follows:

2015	\$ 425,000
2016	905,335
2017	-
2018	-
2019	-

HEALTH RESOURCES in ACTION, INC.

Notes to Financial Statements

June 30, 2014

(8) Restricted Net Assets

(a) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2014:

	Balance			Balance
	<u>2013</u>	<u>Additions</u>	<u>Releases</u>	<u>2014</u>
Community Health Programs	\$ 2,575,414	\$ 2,343,494	\$ (2,353,295)	\$ 2,565,613
Medical Foundation Grants	1,289,519	349,475	(1,493,568)	145,426
Working capital	200,000	-	-	200,000
Accumulated unrealized and realized gains (Note 8(b))	<u>208,872</u>	<u>72,693</u>	<u>-</u>	<u>281,565</u>
	<u>\$ 4,273,805</u>	<u>\$ 2,765,662</u>	<u>\$ (3,846,863)</u>	<u>\$ 3,192,604</u>

(b) Permanently Restricted Net Assets

Permanently restricted net assets are restricted by donors against any expenditure of principal. Interest and dividends earned on these funds is restricted to support postdoctoral research scholarships. In accordance with GAAP and Massachusetts state law, unrealized and realized gains earned on the permanently restricted net assets are reported in temporarily restricted net assets.

For the year ended June 30, 2014, income earned on the permanently restricted net assets was \$79,313. The Agency satisfied the restrictions relating to the interest and dividends earned on these net assets during the year ended June 30, 2014 and \$6,620 has been reflected as unrestricted investment income on the accompanying financial statements. Realized and unrealized earnings and fees on these net assets for the year ended June 30, 2014 totaled \$72,693 and has been reflected as temporarily restricted investment income on the accompanying financial statements.

HEALTH RESOURCES in ACTION, INC.

Notes to Financial Statements

June 30, 2014

(9) Endowment

The Agency accepts endowment gifts under the stipulation that the funds are invested in perpetuity. Unless otherwise restricted by the donor, the investment income is to be used in accordance with the Agency's endowment spending policy. The goals of the endowment fund are to enhance existing programs, create new programs, make additional funding opportunities for donors and support capital improvements. The Agency's Investment Committee (Committee) oversees the establishment and revision of goals, spending plans and asset allocations for endowments.

The Agency's endowment consists of one individual fund established to provide interest to support post-doctoral research scholarships. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Uniform Prudent Management of Institutional Funds Act

The Agency's management and investment of donor-restricted endowment funds are subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a guideline to states to use enacting legislation. UPMIFA was adopted by the Commonwealth of Massachusetts effective June 30, 2009. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar value threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending.

The Board has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Further, per the interpretation, the UPMIFA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by UPMIFA.

(b) Appropriation of Endowment Assets for Expenditure

The Agency considers the following factors in making a determination to appropriate endowment funds for expenditure:

- (1) The duration and preservation of the fund
- (2) The purposes of the Agency and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Agency
- (7) The investment policies of the Agency
- (8) The role of each investment in the whole portfolio group

HEALTH RESOURCES in ACTION, INC.

Notes to Financial Statements

June 30, 2014

(9) Endowment - continued

(c) Return Objectives and Risk Parameters

The Agency has adopted investment and spending policies for endowment assets that invest in a thoughtful and prudent manner to preserve and/or enhance the Agency's ability to help provide for the future benefit of post-doctoral research scholarships. The oversight of the endowment funds is the responsibility of the Committee, a committee of the Agency's Board of Directors. Endowment assets include those assets of donor-restricted funds that the Agency must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve the endowment funds' principal, considering inflation and to regulate the long term ability and short term needs to distribute income.

(d) Strategies Employed for Achieving Investment Objectives

To satisfy its objectives, the Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Agency targets a diversified asset allocation by investing a prudently determinable portion (currently 80%) of the endowment funds in equity investments (to produce long-term appreciation) and a portion (currently 20%) to fixed income investments (to produce a consistent level of income and reduce overall volatility). Guidelines have been set forth in the investment policy.

(e) Spending Policy and Investment Objectives

The Agency records 100% of the annual investment return as temporarily restricted net assets. The Agency has a policy of appropriating for distribution from the total investment balance including the endowment portion, an amount not to exceed 5% of the total investment balance over a three year rolling period of time. In establishing this policy, the Agency considered the long-term expected return on its endowment. Accordingly, over the long term, the Agency expects the current spending policy to allow its endowment to grow. This is consistent with the Agency's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment.

(f) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Agency to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. These deficiencies may result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets. There were no such deficiencies as of June 30, 2014.

HEALTH RESOURCES in ACTION, INC.

Notes to Financial Statements

June 30, 2014

(9) Endowment - continued

(g) Composition and Reconciliation of Endowment Funds

The endowment fund is solely comprised of donor-restricted contributions. There are no board-designated endowment funds. A reconciliation of the Agency's investment activity by net asset class is presented in Note 3. Additional information pertaining to the endowment fund is presented in Note 8(b)).

(10) Defined Contribution Plans

The Agency has a defined contribution pension plan that qualifies as a tax-sheltered account under Section 401(a) of the IRC for the benefit of eligible employees. Employees of at least twenty one years of age with at least 1,000 hours of credited service are eligible to participate in this plan. Under the plan, the Agency contributes a percentage of each eligible participant's salary to the plan. The employees are not taxed on contributions or earnings until they receive distributions from the account. The Agency's contributions under this plan amounted to \$179,502 for the year ended June 30, 2014, which are included in employee benefits on the accompanying statement of functional expenses.

The Agency also has a defined contribution pension plan that qualifies as a tax-sheltered account under Section 403(b) of the IRC for the benefit of eligible employees, as defined in the plan agreement. Under the plan, benefit eligible employees can invest pre-tax dollars. The employees are not taxed on contributions or earnings until they receive distributions from the account. There are no provisions for employer contributions into the plan.

HEALTH RESOURCES in ACTION, INC.

Notes to Financial Statements

June 30, 2014

(11) Adjustment to Prior Periods

(a) *Prior Period Adjustment*

The net asset balance for June 30, 2013 has been restated to properly report amounts previously reflected in the financial statements. The correction of error had no impact on the 2014 change in net assets. The June 30, 2013 financial statements have not been re-issued.

The net assets have been restated to reflect the prior period adjustment as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
2012 net assets, ending	\$ 1,619,437	\$ 4,935,817	\$ 278,752	\$ 6,834,006
Correction of error (a)	<u>(38,360)</u>	<u>38,360</u>	<u>-</u>	<u>-</u>
2012 net assets, ending (as restated)	<u>\$ 1,581,077</u>	<u>\$ 4,974,177</u>	<u>\$ 278,752</u>	<u>\$ 6,834,006</u>
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
2013 net assets, ending	\$ 1,516,247	\$ 4,225,445	\$ 278,752	\$ 6,020,444
Correction of error (a)	<u>(48,360)</u>	<u>48,360</u>	<u>-</u>	<u>-</u>
2013 net assets, ending (as restated)	<u>\$ 1,467,887</u>	<u>\$ 4,273,805</u>	<u>\$ 278,752</u>	<u>\$ 6,020,444</u>

(a) - During the year ended June 30, 2014, management determined that temporarily restricted funds were improperly included in unrestricted net assets as of June 30, 2012 and 2013. The correction of this error had no impact on the total change in net assets for the years ended June 30, 2013 and 2012.

In addition, it was determined that the investment balance as of June 30, 2013 included cash and cash equivalents. As a result, the 2013 investment balance was reduced by \$21,641 and the cash and cash equivalent balance increased by \$21,641. This change had no impact on the change in net assets for the year ended June 30, 2013.

(12) Subsequent Events

The Agency has performed an evaluation of subsequent events through December 17, 2014, which is the date the Agency's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2014 that required recognition or disclosure in these financial statements.