

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
JUNE 30, 2015 AND 2014**

SAMARITAN INNS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Samaritan Inns, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Samaritan Inns, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 Organization as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

December 8, 2015

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SAMARITAN INNS, INC.

**STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND 2014**

ASSETS

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,452,961	\$ 1,006,413
Investments	748,307	731,185
Pledges and grants receivable	275,000	275,000
Other receivables	60,854	115,981
Prepaid expenses and other assets	6,543	5,448
Total current assets	<u>2,543,665</u>	<u>2,134,027</u>
PROPERTY AND EQUIPMENT		
Land	649,263	649,263
Buildings and improvements	10,008,864	9,224,049
Furniture and equipment	759,380	685,032
Computers, equipment and software	122,929	107,575
	11,540,436	10,665,919
Less: Accumulated depreciation and amortization	(5,284,473)	(4,990,779)
Net property and equipment	<u>6,255,963</u>	<u>5,675,140</u>
NONCURRENT ASSETS		
Pledges and grants receivable	-	250,000
Sculptures	42,951	42,951
Total noncurrent assets	<u>42,951</u>	<u>292,951</u>
TOTAL ASSETS	<u>\$ 8,842,579</u>	<u>\$ 8,102,118</u>

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 146,231	\$ 100,458
Annuities payable	9,814	11,236
Tenants' security deposits	<u>64,628</u>	<u>57,234</u>
Total current liabilities	<u>220,673</u>	<u>168,928</u>
NONCURRENT LIABILITIES		
Notes payable	-	471,698
Annuities payable, net of current portion and unamortized discount of \$6,455 and \$11,601 for 2015 and 2014, respectively	<u>5,978</u>	<u>15,792</u>
Total noncurrent liabilities	<u>5,978</u>	<u>487,490</u>
Total liabilities	<u>226,651</u>	<u>656,418</u>
NET ASSETS		
Unrestricted:		
Undesignated	1,555,392	565,145
Invested in property and equipment	5,406,306	5,675,140
Board designated	<u>500,000</u>	<u>500,000</u>
Total unrestricted	7,461,698	6,740,285
Temporarily restricted	<u>1,154,230</u>	<u>705,415</u>
Total net assets	<u>8,615,928</u>	<u>7,445,700</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,842,579</u>	<u>\$ 8,102,118</u>

SAMARITAN INNS, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions and grants:			
Individuals	\$ 225,528	\$ -	\$ 225,528
Foundations	161,000	25,000	186,000
Corporations	50,000	-	50,000
Churches	4,337	-	4,337
Capital Campaign	-	764,648	764,648
In-kind contributions	162,218	-	162,218
Rent from residents	687,087	-	687,087
Rental income from non-residents	151,450	-	151,450
Special events and sponsorships	54,367	-	54,367
Interest and investment income	54,253	-	54,253
Fee for service revenue	1,048,758	-	1,048,758
Other	34,576	-	34,576
Net assets released from donor restrictions - satisfaction of donor restrictions	<u>340,833</u>	<u>(340,833)</u>	<u>-</u>
Total support and revenue	<u>2,974,407</u>	<u>448,815</u>	<u>3,423,222</u>
EXPENSES			
Program Services	1,848,172	-	1,848,172
Management and General	410,149	-	410,149
Fundraising	<u>200,979</u>	<u>-</u>	<u>200,979</u>
Total expenses	<u>2,459,300</u>	<u>-</u>	<u>2,459,300</u>
Changes in net assets before other items	515,107	448,815	963,922
OTHER ITEMS			
Forgiveness of debt	500,000	-	500,000
Depreciation and amortization	<u>(293,694)</u>	<u>-</u>	<u>(293,694)</u>
Changes in net assets	721,413	448,815	1,170,228
Net assets at beginning of year	<u>6,740,285</u>	<u>705,415</u>	<u>7,445,700</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,461,698</u>	<u>\$ 1,154,230</u>	<u>\$ 8,615,928</u>

2014		
Unrestricted	Temporarily Restricted	Total
\$ 277,576	\$ -	\$ 277,576
164,000	25,000	189,000
-	-	-
5,300	-	5,300
-	130,123	130,123
24,127	-	24,127
693,302	-	693,302
176,400	-	176,400
43,176	-	43,176
83,592	-	83,592
1,048,989	-	1,048,989
23,261	-	23,261
<u>301,700</u>	<u>(301,700)</u>	<u>-</u>
<u>2,841,423</u>	<u>(146,577)</u>	<u>2,694,846</u>
1,674,421	-	1,674,421
286,949	-	286,949
<u>315,083</u>	<u>-</u>	<u>315,083</u>
<u>2,276,453</u>	<u>-</u>	<u>2,276,453</u>
564,970	(146,577)	418,393
-	-	-
<u>(267,553)</u>	<u>-</u>	<u>(267,553)</u>
297,417	(146,577)	150,840
<u>6,442,868</u>	<u>851,992</u>	<u>7,294,860</u>
<u>\$ 6,740,285</u>	<u>\$ 705,415</u>	<u>\$ 7,445,700</u>

See accompanying notes to financial statements.

SAMARITAN INNS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and related benefits	\$ 1,146,221	\$ 175,144	\$ 152,889	\$ 1,474,254
Printing and production	166	4,446	586	5,198
Professional fees	114,840	66,881	18,035	199,756
Insurance	28,314	29,208	-	57,522
Travel and entertainment/transportation	16,891	137	62	17,090
Staff development	1,935	1,084	-	3,019
Postage and delivery	-	481	100	581
Repairs and maintenance	130,992	5,434	-	136,426
Office supplies	494	7,090	24	7,608
Membership fees	876	202	-	1,078
Licenses	4,120	1,769	-	5,889
Advertising and promotion	1,372	2,700	15,240	19,312
Bank and investment fees	1	14,847	1,075	15,923
Interest expense	-	30,425	-	30,425
Annuity discount amortization	-	13,932	-	13,932
Utilities	252,172	4,574	1,623	258,369
Technical services	46,556	28,308	-	74,864
Drug screening/TB screening	2,256	-	-	2,256
Resident specials/resident supplies	9,352	700	-	10,052
Meals	61,711	471	-	62,182
Other taxes	10,980	-	-	10,980
Capital campaign expenses	-	-	11,295	11,295
Miscellaneous	18,923	22,316	49	41,288
TOTAL	<u>\$ 1,848,172</u>	<u>\$ 410,149</u>	<u>\$ 200,979</u>	<u>\$ 2,459,300</u>

SAMARITAN INNS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and related benefits	\$ 1,100,212	\$ 106,245	\$ 199,154	\$ 1,405,611
Printing and production	4,077	-	1,128	5,205
Professional fees	29,833	52,431	-	82,264
Insurance	-	57,702	-	57,702
Travel and entertainment/transportation	11,238	8	56	11,302
Staff development	1,550	4,994	213	6,757
Postage and delivery	25	1,224	39	1,288
Repairs and maintenance	132,955	912	-	133,867
Office supplies	2,685	8,653	-	11,338
Membership fees	275	1,416	-	1,691
Licenses	4,714	206	186	5,106
Advertising and promotion	-	-	52,460	52,460
Bank and investment fees	2	16,052	-	16,054
Interest expense	26,700	-	-	26,700
Annuity discount amortization	-	9,902	-	9,902
Utilities	267,645	7,526	1,286	276,457
Technical services	13,579	7,981	75	21,635
Drug screening/TB screening	1,301	-	-	1,301
Resident specials/resident supplies	6,649	-	-	6,649
Meals	44,860	2,770	-	47,630
Other taxes	15,018	-	-	15,018
Equipment	2,490	-	-	2,490
Leases	2,909	-	-	2,909
Uniforms	5,628	-	-	5,628
Capital campaign expenses	-	-	60,486	60,486
Miscellaneous	76	8,927	-	9,003
TOTAL	\$ 1,674,421	\$ 286,949	\$ 315,083	\$ 2,276,453

SAMARITAN INNS, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,170,228	\$ 150,840
Adjustments to reconcile in net assets to net cash provided by operating activities:		
Depreciation and amortization	293,694	267,553
Unrealized gain on investments	(34,586)	(59,156)
Realized gain on sales of investments	(4,400)	(10,029)
Imputed interest expense	28,302	26,700
Forgiveness of debt	(500,000)	-
Annuity discount and amortization	13,932	9,902
(Increase) decrease in:		
Pledges and grants receivable	250,000	250,000
Other receivables	55,127	15,769
Prepaid expenses and other assets	(1,095)	16,463
Increase (decrease) in:		
Accounts payable and accrued liabilities	45,773	(1,718)
Tenants' security deposits	7,394	(17,419)
Net cash provided by operating activities	<u>1,324,369</u>	<u>648,905</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(874,517)	(106,677)
Purchases of investments	(114,783)	(305,672)
Proceeds from sales of investments	<u>136,647</u>	<u>326,561</u>
Net cash used by investing activities	<u>(852,653)</u>	<u>(85,788)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of annuity obligations	<u>(25,168)</u>	<u>(25,168)</u>
Net cash used by financing activities	<u>(25,168)</u>	<u>(25,168)</u>
Net increase in cash and cash equivalents	446,548	537,949
Cash and cash equivalents at beginning of year	<u>1,006,413</u>	<u>468,464</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,452,961</u>	<u>\$ 1,006,413</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 2,123</u>	<u>\$ 2</u>
SCHEDULE OF NONCASH TRANSACTIONS		
Long-Term Debt Forgiven	<u>\$ 500,000</u>	<u>\$ -</u>
Donated Securities	<u>\$ 8,986</u>	<u>\$ -</u>

See accompanying notes to financial statements.

SAMARITAN INNS, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Samaritan Inns, Inc. (also referred to as the Organization) is a non-profit organization, incorporated and located in the District of Columbia. The Organization began operations in 1986. The primary purpose of the Organization is to provide housing for homeless individuals, while also providing access to additional programs designed to address many of the problems associated with homelessness. These issues include hunger, physical and emotional illness, lack of education and training, drug and alcohol addiction and unemployment. The Organization is supported primarily by contributions and grants, as well as rental income from its Inns.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Unrealized and realized gains and losses are included in investment income in the Statements of Activities and Changes in Net Assets.

Pledges and grants receivable -

Pledges and grants receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Other receivables -

Other receivables includes amounts due under fee for service contract payments and rent payments receivable; such amounts approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment acquisitions in excess of \$500 are stated at cost. Buildings and improvements are depreciated on a straight-line basis over useful lives of forty years. Furniture, fixtures, and equipment are depreciated on the straight-line basis over the estimated useful lives of the related assets, generally five to ten years. Software is amortized over a five-year period on the straight-line basis. The cost of maintenance and repairs is recorded as expenses are incurred.

SAMARITAN INNS, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Income taxes -

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not a private foundation.

Uncertain tax positions -

For the years ended June 30, 2015 and 2014, the Organization has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Risks and uncertainties -

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organization and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Rental income -

Rental income is recorded as revenue on a monthly basis, as earned, through the use of facilities.

SAMARITAN INNS, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Fee for service revenue -

Fee for service revenue represents contract fees for providing certain drug addiction recovery and community health, education and mentoring services. The fees are recorded as revenue on a monthly basis, as earned.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

In-kind contributions -

In-kind contributions consist of legal, meals and technical services. In-kind contributions are recorded at their fair value as of the date of the gift. During the years ended June 30, 2015 and 2014, the value of in-kind contributions received totaled \$162,218 and \$24,127, respectively.

In addition, volunteers have donated significant amounts of their time to the Organization; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Fair value measurement -

The Organization adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Organization accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at June 30, 2015 and 2014:

	Fair Value	
	2015	2014
Cash and money funds	\$ 33,152	\$ 4,465
Corporate bonds	130,020	131,665
Mutual funds	<u>585,135</u>	<u>595,055</u>
TOTAL INVESTMENTS	\$ <u>748,307</u>	\$ <u>731,185</u>

SAMARITAN INNS, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

2. INVESTMENTS (Continued)

Included in interest and investment income are the following:

	2015	2014
Interest and dividends	\$ 15,267	\$ 14,407
Unrealized gain on investments	34,586	59,156
Realized gain on sales of investments	4,400	10,029
TOTAL INTEREST AND INVESTMENT INCOME	\$ 54,253	\$ 83,592

3. PLEDGES AND GRANTS RECEIVABLE

During 2012, the Organization received a \$1,000,000 time-restricted gift from a major donor, of which \$250,000 and \$500,000 remained due as of June 30, 2015 and 2014, respectively. Following is a schedule of the expected collections (due from all donors) as of June 30, 2015 and 2014, respectively:

	2015	2014
Less than one year	\$ 275,000	\$ 275,000
One to five years	-	250,000
TOTAL PLEDGES AND GRANTS RECEIVABLE	\$ 275,000	\$ 525,000

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2015 and 2014:

	2015	2014
Capital Campaign	\$ 20,253	\$ 130,123
Capital Campaign - unamortized value of capital assets	849,657	-
Elisha's House	-	28,302
Computer lab	9,320	9,320
Other program services	-	12,670
General Operations - restricted for time	275,000	525,000
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ 1,154,230	\$ 705,415

5. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	2015	2014
Capital Campaign - depreciation on capital assets	\$ 24,860	\$ -
Elisha's House	28,303	26,700
Other program services	12,670	-
General Operations - passage of time	275,000	275,000
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ 340,833	\$ 301,700

SAMARITAN INNS, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

6. BOARD DESIGNATED NET ASSETS

Board designated net assets consisted of cash and investments set aside for future expenditures. As of June 30, 2015 and 2014, total Board designated net assets aggregated \$500,000 and \$500,000, respectively.

7. NOTE PAYABLE

During the year ended June 30, 2015, the \$500,000 loan from The Enterprise Foundation was forgiven and recognized as income in the Other Items section in the accompanying Statements of Activities and Changes in Net Assets.

The loan bore interest at 0% and was contingent upon certain conditions during the 15-year period of the loan (which ended in March 2015). Interest expense of \$28,302 and \$26,700 has been imputed (using a rate of 6.00%) during the years ended June 30, 2015 and 2014, respectively.

As of June 30, 2014, the balance due under the loan aggregated \$471,698.

8. RETIREMENT PLAN

The Organization has adopted a retirement plan for its full-time employees. The plan has a salary reduction component. As of November 1, 2011, the employer contribution was discontinued.

9. CHARITABLE GIFT ANNUITIES

The Organization entered into charitable gift annuity agreements with a donor in May 2000, January 2003 and April 2004. The donor was a member of the Organization's Board of Directors. Under the terms of the agreement, the Organization received cash and stocks valued at \$109,680. In return, the Organization agreed to distribute \$8,470 in annual payments, payable in \$706 monthly installments, to the donor until the later of his death or the death of his successor. Rates of 4.2% and 8.2% were used to discount the annuities.

The Organization entered into charitable gift annuity agreements with a donor in October 2002 and July 2003. Under the terms of the agreements, the Organization received cash and stocks valued at \$338,983. In return, the Organization agreed to distribute \$24,486 annual payments, payable in \$12,243 semi-annual installments, to the donor until her death. Rates of 5.2% and 3.8% were used to discount the annuities. On June 15, 2011, the donor gifted the first of the two annuities to the Organization. Accordingly, the annual payments on the remaining annuity equal \$12,588, payable in \$6,294 semi-annual installments, to the donor until her death.

The Organization entered into a charitable gift annuity agreement with a donor in October 2004. Under the terms of the agreement, the Organization received cash of \$5,000. In return, the Organization agreed to distribute \$310 annual payments, payable in \$155 semi-annual installments, to the donor until the later of his death or the death of his successor. A rate of 4.8% was used to discount the annuity.

The Organization entered into a charitable gift annuity agreement with a donor in February 2005. Under the terms of the agreement, the Organization received cash of \$50,000. In return, the Organization agreed to distribute \$3,800 annual payments, payable in \$950 quarterly installments, to the donor until the later of his death or the death of his successor. A rate of 4.6% was used to discount the annuity.

SAMARITAN INNS, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

9. CHARITABLE GIFT ANNUITIES (Continued)

The future annuity liability (net of discount amortization), as of June 30, 2015 and 2014 is as follows:

	2015	2014
2015	\$ -	\$ 11,236
2016	9,814	9,814
2017	4,967	4,967
2018	188	188
2019	188	188
2020 and Thereafter	635	635
Subtotal	15,792	27,028
Less: Current portion	(9,814)	(11,236)
NONCURRENT PORTION	\$ 5,978	\$ 15,792

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access.

Level 2. These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

- *Cash and money funds* - Fair value is equal to the reported net asset value of the fund.
- *Corporate bonds* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - Fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

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10. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, the Organization's investments as of June 30, 2015:

	2015			Total
	Level 1	Level 2	Level 3	
Asset Class:				
Cash and money funds	\$ 33,152	\$ -	\$ -	\$ 33,152
Corporate bonds	130,020	-	-	130,020
Mutual funds	<u>585,135</u>	<u>-</u>	<u>-</u>	<u>585,135</u>
TOTAL	<u>\$ 748,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 748,307</u>

The table below summarizes, by level within the fair value hierarchy, the Organization's investments as of June 30, 2014:

	2014			Total
	Level 1	Level 2	Level 3	
Asset Class:				
Cash and money funds	\$ 4,465	\$ -	\$ -	\$ 4,465
Corporate bonds	131,665	-	-	131,665
Mutual funds	<u>595,055</u>	<u>-</u>	<u>-</u>	<u>595,055</u>
TOTAL	<u>\$ 731,185</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 731,185</u>

11. LINE OF CREDIT

The Organization maintains a \$750,000 line of credit with a local financial institution. Borrowings are secured by the Organization's assets and bear interest of 3.25% per annum. The available line of credit expires on February 21, 2016. As of June 30, 2015 and 2014, there were no outstanding borrowings.

12. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 8, 2015, the date the financial statements were issued.