

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**REPORT FOR THE YEAR ENDED**

**JUNE 30, 2014**

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
Statement of Financial Position .....	3
Statement of Activities .....	5
Statement of Functional Expenses .....	8
Statement of Cash Flows .....	9
Notes to Financial Statements .....	11

# BANTI & DEFELICE, CPAs, LLC

*Certified Public Accountants*

DAVID R. BANTI, C.P.A.  
MARK F. DEFELICE, C.P.A.  
SUSAN COLLINS, C.P.A.  
DENISE BANTI-PAOLILLO, C.P.A.  
EWA ZERA, C.P.A.

310 QUINNIPIAC AVENUE  
NORTH HAVEN, CT 06473-3716  
TELEPHONE (203) 624-9928  
FAX (203) 865-8090  
E-MAIL DAVE@BANTIDEFELICE.COM  
E-MAIL MARK@BANTIDEFELICE.COM

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Farnam Neighborhood House, Inc.  
New Haven, Connecticut

We have audited the accompanying financial statements of Farnam Neighborhood House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, 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.

### **Auditor's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Farnam Neighborhood House, Inc. 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.

*Banti + DeFelice, CPAs, LLC*

BANTI & DeFELICE, CPAs, LLC  
Certified Public Accountants

North Haven, CT  
January 22, 2015

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2014**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 20,814
Restricted Cash for Line of Credit	25,137
Cash Temporarily Restricted for Repairs/Renovation of Property	24,577
Accounts Receivable	<u>20,915</u>

**TOTAL CURRENT ASSETS** \$ 91,443

**INVESTMENTS** 249,073

**LAND, BUILDING AND EQUIPMENT**

Land	179,523
Building and Playground	1,533,123
Camp Farnam	874,851
Equipment	<u>81,814</u>
Total	2,669,311
Less: Accumulated Depreciation	<u>1,240,221</u>

**NET VALUE LAND, BUILDING AND EQUIPMENT** 1,429,090

**TOTAL ASSETS** \$1,769,606

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

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2014**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$	39,710
Payables-Other		181
Unearned Revenue		<u>17,381</u>

**TOTAL CURRENT LIABILITIES** \$ 57,272

**NET ASSETS**

Unrestricted Net Assets:		
General	\$ 1,438,684	
Board Designated	<u>249,073</u>	
Total Unrestricted Net Assets		1,687,757
Temporarily Restricted Net Assets		<u>24,577</u>

**TOTAL NET ASSETS** 1,712,334

**TOTAL LIABILITIES AND NET ASSETS** \$1,769,606

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

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2014**

**UNRESTRICTED NET ASSETS**

**Support, Gains and Losses**

Contributions	\$ 57,415
Contributions-Foundations	40,706
Unrestricted Grants	20,000
Annual Appeal	12,255
Camp Scholarships	14,227
Program Service Fees-Day Camp	20,864
Program Service Fees-Nursery	35,459
Membership Dues:	
After School	6,948
Evenings/Weekends	13,478
Extended Day Fees	12,277
Entry Fees	12,741
Family Swim	310
Concession/Clothing Sales	2,725
Rental Income-Day Camp	11,525
Rental Income-Other Programs	1,282
Special Events	56,937
Investment Return	<u>42,561</u>

**TOTAL UNRESTRICTED SUPPORT,  
GAINS AND LOSSES** \$ 361,710

**Net assets released from restrictions**  
Restrictions satisfied by payments 636,420

**TOTAL UNRESTRICTED SUPPORT,  
GAINS AND LOSSES AND OTHER SUPPORT** 998,130

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

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2014**

**UNRESTRICTED NET ASSETS (continued)**

**Expenses**

Program Services	
Afterschool	\$ 231,161
Nursery	123,553
Evening/Weekend	166,916
Camp	109,771
Support Services	
Management and General	106,206
Fundraising	<u>68,081</u>

**TOTAL EXPENSES** \$ 805,688

**INCREASE (DECREASE) IN  
UNRESTRICTED NET ASSETS** 192,442

**Unrestricted Net Assets  
at Beginning of Year** 1,495,315

**UNRESTRICTED NET ASSETS  
AT END OF YEAR** \$ 1,687,757

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



**FARNAM NEIGHBORHOOD HOUSE, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2014**

**TEMPORARILY RESTRICTED NET ASSETS**

United Way	\$ 58,353	
State of Connecticut-Bonding	150,000	
Schools of 21 <sup>st</sup> Century	22,325	
Fresh Air Fund	8,050	
City of New Haven-CD Software	50,000	
Board of Education School Readiness	73,723	
Department of Children & Family-Positive Youth Development	139,668	
Net Assets Released from Restrictions- Restrictions Satisfied by Payments	<u>(636,420)</u>	
<b>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</b>		<b>\$ (134,301)</b>
<b>Temporarily Restricted Net Assets at Beginning of Year</b>		<b><u>158,878</u></b>
<b>TEMPORARILY RESTRICTED NET ASSETS AT END OF YEAR</b>		<b><u>\$ 24,577</u></b>
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>		<b>\$ 58,141</b>
<b>Net Assets at Beginning of Year</b>		<b><u>1,654,193</u></b>
<b>NET ASSETS AT END OF YEAR</b>		<b><u>\$ 1,712,334</u></b>

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

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Program Services</u>				<u>Supporting Services</u>		
	<u>Afterschool</u>	<u>Nursery</u>	<u>Evening/ Weekend</u>	<u>Camp</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and Related Expenses							
Compensation							
Salaries and Wages	\$126,071	\$ 88,248	\$ 74,577	\$ 35,800	\$ 38,148	\$19,097	\$381,941
Employee Benefits							
Payroll Taxes	9,664	6,751	5,705	2,719	2,877	1,461	29,177
Other Employee Benefits	11,480	8,573	16,327	4,337	13,139	2,835	56,691
Accounting and Bookkeeping	0	0	0	0	12,013	0	12,013
Supplies	15,579	2,532	4,017	4,329	14,588	0	41,045
Utilities	19,957	2,950	18,636	3,983	3,252	0	48,778
Transportation	3,300	350	0	3,080	0	0	6,730
Depreciation	15,964	3,898	14,907	24,577	3,015	0	62,361
Insurance	9,928	1,467	9,270	8,310	1,618	0	30,593
Investment and Bank Fees	0	0	0	0	2,269	0	2,269
Dues	0	0	0	298	3,552	0	3,850
Special Events	0	0	0	0	0	44,688	44,688
Maintenance	17,998	2,660	16,807	20,549	2,933	0	60,947
Interest Expense	0	0	0	0	932	0	932
Vehicle Expense	1,220	481	170	1,789	0	0	3,660
Stipends	0	2,600	6,500	0	0	0	9,100
Conferences and Meetings	0	3,043	0	0	4,220	0	7,263
Mini Grant	0	0	0	0	3,150	0	3,150
Specific Assistance to Individuals	0	0	0	0	500	0	500
<b>TOTAL EXPENSES</b>	<b><u>\$231,161</u></b>	<b><u>\$123,553</u></b>	<b><u>\$166,916</u></b>	<b><u>\$109,771</u></b>	<b><u>\$106,206</u></b>	<b><u>\$68,081</u></b>	<b><u>\$805,688</u></b>

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

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2014**

**Increase (Decrease) in Cash and Cash Equivalents**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Increase in Net Assets	\$ 58,141	
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Realized Gain on Investments	(26,103)	
Unrealized Gain on Investments	(11,056)	
Depreciation	62,361	
(Increase) Decrease in Operating Assets		
Accounts Receivable	1,122	
Payroll Tax	333	
Increase (Decrease) in Operating Liabilities		
Accounts Payable	18,906	
Payable-Other	181	
Unearned Revenue	<u>17,381</u>	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>\$ 121,266</b>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Investment Transfers (Net)	70,000	
Dividends and Interest Reinvested (Net of Bank Fees)	(3,510)	
Purchases/Disposals of Property and Equipment (Net)	(286,294)	
Restricted Assets for Repairs/Renovation of Property	<u>134,277</u>	
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		<b>(85,527)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Restricted Cash for Line of Credit	<u>(25,000)</u>	
<b>NET CASH USED BY FINANCING ACTIVITIES</b>		<b><u>(25,000)</u></b>

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

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2014**

<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 10,739</b>
<b>Beginning Cash and Cash Equivalents- See Note 1-Cash and Cash Equivalents</b>	<b><u>10,075</u></b>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 20,814</u></b>

**SUPPLEMENTAL DISCLOSURES:**

Non-cash investing and financing activities:  
NONE

Income Taxes Paid \$ 0

Interest Paid \$ 932

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

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activity**

Farnam Neighborhood House, Inc. plays a leadership role in helping the community to be successful, cohesive and productive. Farnam Neighborhood House, Inc. allows children to have a caring environment when they are not at home and allows children from the inner city to experience country camp. Farnam Neighborhood House, Inc. also provides youth and adult support services to inner city families.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. The organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, as permitted by the Statement.

**Contributed Services**

During the fiscal year ended June 30, 2014, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist Farnam Neighborhood House, Inc. at the camp and Fillmore Street, but these services do not meet the criteria for recognition as contributed services.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property and Equipment**

Purchased property and equipment are valued at cost. Property and equipment are depreciated using the straight-line method. All purchases of land and equipment with a cost greater than \$500 are capitalized. Donations of property and equipment are recorded as contributions at their estimated fair value.

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and Equipment (continued)**

Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation expense for the year ended June 30, 2014 was \$62,361.

**Income Tax Status**

Farnam Neighborhood House, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Farnam Neighborhood House, Inc.'s Form 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2011 forward, are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**Revenue Recognition**

Income and expenses are recorded on the accrual basis of accounting.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Compensated Absences**

It is the organization's policy not to record compensated absences at the Statement of Financial Position date. The organization employs primarily part time employees, therefore, the amount of compensated absences are immaterial to the financial statement.

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash Temporarily Restricted for Repairs/Renovation of Property**

Cash restricted to repair/renovation of the property has been temporarily restricted by the grants and is not available for operating purposes.

**Restricted Cash for Line of Credit**

Cash restricted as collateral on the Line of Credit is not available for operating purposes.

**Functional Allocation of Expenses**

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

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated timed restriction ends or purpose restriction is accomplished), temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**NOTE 2 - INVESTMENTS**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the Changes of Net Assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 2 - INVESTMENTS (continued)**

Investments as of June 30, 2014, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Fixed Income Securities	\$ 78,602	\$ 76,849	\$ (1,753)
Equity Securities	98,966	153,657	54,691
Hedge Funds	11,919	11,100	(819)
Cash on Hand	<u>7,467</u>	<u>7,467</u>	<u>0</u>
Total Investments	<u>\$ 196,954</u>	<u>\$ 249,073</u>	<u>\$ 52,119</u>

The following schedule summarizes the investment account activity for the year ended June 30, 2014:

Balance, July 1, 2013	\$ 237,341	\$ 278,404
Dividends and Interest	5,343	5,343
Transfer to Farnam Checking (Net)	(70,000)	(70,000)
Bank Fees	(1,833)	(1,833)
Gain on Sale of Investments	26,103	26,103
Unrealized Gain in Fair Value	<u>0</u>	<u>11,056</u>
Balance, June 30, 2014	<u>\$ 196,954</u>	<u>\$ 249,073</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2014:

Interest and Dividends	\$ 5,343
Interest-Other	59
Gain on Sale of Investments	26,103
Unrealized Gain on Investments	<u>11,056</u>
Total Investment Return	<u>\$ 42,561</u>



FARNAM NEIGHBORHOOD HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

**NOTE 3 - TEMPORARILY RESTRICTED GRANTS**

During the fiscal year ended June 30, 2014, Farnam Neighborhood House, Inc. had the following temporarily restricted grants:

<u>Name of Grant</u>	<u>Grant Received From</u>	<u>Grant in Effect During Fiscal Year 2014</u>
United Way	United Way and Individual Donors	\$ 58,353
Community Development Block Software Grant	Federal Funds-City of New Haven	50,000
School Readiness	State Funds-New Haven Board of Education	73,723
Positive Youth Development	State Funds-DCF	139,668
State Bonding Grant	State of Connecticut	150,000
Fresh Air Fund	New Haven Register	8,050
Schools of 21 <sup>st</sup> Century	State Funds-New Haven	22,325

**NOTE 4 - LINE OF CREDIT**

Farnam Neighborhood House has available a Line of Credit with Bank of America. The terms of the Line of Credit are as follows:

Amount available at June 30, 2014	\$25,000
Amount outstanding at June 30, 2014	0
Interest Rate	Prime plus 4%
Annual Fee	\$100
Collateral	Time Deposit not less than \$25,000
Term	On Demand
Other Conditions	Subject to an annual 30 day clean up of line

**NOTE 5 - NET ASSETS**

Board designated assets of \$249,073 are invested with Bank of America and are included in unrestricted net assets of \$1,687,757.

Temporarily restricted net assets are available for the following purposes at June 30, 2014:

State of Connecticut Bonding	<u>\$24,577</u>
<b>Temporarily Restricted Net Assets</b>	<b><u>\$24,577</u></b>

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 5 - NET ASSETS (continued)**

Net Assets were released from donor restrictions by incurring direct expenses satisfying the purposes specified by donor and related indirect expenses as follows:

DCF Positive Youth Development	\$139,668
United Way	58,353
CD Software	50,000
School Readiness	73,723
State of Connecticut–Bonding	284,301
Schools of 21 <sup>st</sup> Century	22,325
Fresh Air Fund	<u>8,050</u>
<b>Net Assets Released from Temporarily Restricted Net Assets</b>	<b><u>\$636,420</u></b>

**NOTE 6 - FAIR VALUE MEASUREMENTS**

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2014 are as follows:

	Fair Value Measurements at Reporting Date Using:		
	Quoted Prices in Active Markets for Identical Assets <u>Fair Value</u> (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments			
(See Note 2-Investments)	<u>\$249,073</u>	<u>\$249,073</u>	<u>\$ 0</u>

Financial Accounting Standard Board (FASB), *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Valuation techniques utilized to determine fair value are consistently applied. The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 6 - FAIR VALUE MEASUREMENTS (continued)**

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 inputs must be observable for substantially the full term of the asset or liability.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no transfers between fair value hierarchy levels for any invested assets recorded at fair value for the year ended June 30, 2014.

Investments recorded using Level 1 fair values are based on observable quoted market prices from national securities exchange and daily sale prices.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

**NOTE 7 - CONCENTRATION OF REVENUE SOURCES**

A majority of the Organization's revenue is derived from grants from the Federal and State government. The current level of the Organization's operations and program services may be impacted or segments discontinued if the funding is not renewed.

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 8 - SUBSEQUENT EVENTS**

Line of Credit

The Line of Credit with Bank of America was terminated on July 14, 2014. On July 30, 2014, the Organization signed a line of credit with Start Community Bank. The availability period expires on July 30, 2019 subject to annual renewals. The interest rate is a fixed rate of 3.5% per annum. A time deposit with the Bank and owned by the Organization in an amount not less than \$15,000 secures the obligation to the Bank under the agreement.

Date of Management's Review

In preparing the financial statements, the Organization has evaluated subsequent events for potential recognition or disclosure through January 22, 2015, the date of which the financial statements were available to be issued.