

Financial Statements

HAROLD W. McMILLEN CENTER FOR HEALTH EDUCATION, INC.

*Years ended June 30, 2012 and 2011
with Report of Independent Auditors*

Harold W. McMillen Center for Health Education, Inc.

Financial Statements

Years ended June 30, 2012 and 2011

Contents

Report of Independent Auditors.....	1
Financial Statements	
Statements of Financial Position.....	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	4
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7



Report of Independent Auditors

The Board of Directors
Harold W. McMillen Center
for Health Education, Inc.

We have audited the accompanying statements of financial position of Harold W. McMillen Center for Health Education, Inc. (McMillen Center) as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of McMillen Center's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harold W. McMillen Center for Health Education, Inc. at June 30, 2012 and 2011 and the results of its operations, changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Haines, Isenbarger & Skiba, LLC

August 10, 2012

Harold W. McMillen Center for Health Education, Inc.

Statements of Financial Position

	June 30	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,229	\$ 583
Receivables:		
Admission fees	7,593	4,236
Pledges	82,900	64,500
Other	6,052	10,731
	<u>96,545</u>	<u>79,467</u>
Accrued interest and dividends receivable	4	36
Prepaid expenses	10,387	5,850
Total current assets	<u>119,165</u>	<u>85,936</u>
Investments	1,765,396	1,960,482
Land, building, exhibits, and equipment:		
Land	94,735	94,735
Building and improvements	1,774,253	1,774,253
Exhibits and equipment	1,239,028	1,437,335
	<u>3,108,016</u>	<u>3,306,323</u>
Less accumulated depreciation	2,531,209	2,673,267
	<u>576,807</u>	<u>633,056</u>
Total assets	<u>\$ 2,461,368</u>	<u>\$ 2,679,474</u>
Liabilities and net assets		
Current liabilities:		
Line of credit	\$ 137,136	\$ 146,824
Accounts payable	14,881	21,860
Accrued expenses	24,326	17,318
Deferred revenue	3,003	510
Total current liabilities	<u>179,346</u>	<u>186,512</u>
Net assets:		
Unrestricted	431,442	583,002
Temporarily restricted	157,258	128,685
Permanently restricted	1,693,322	1,781,275
Total net assets	<u>2,282,022</u>	<u>2,492,962</u>
Total liabilities and net assets	<u>\$ 2,461,368</u>	<u>\$ 2,679,474</u>

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Statements of Activities and Changes in Net Assets

	Year ended June 30	
	2012	2011
Changes in unrestricted net assets		
Support, revenues, and gains:		
Contributions	\$ 98,987	\$ 93,750
Contributed services and materials	47,415	9,198
Admission fees	109,453	121,338
Interest and dividends	85,961	78,306
Realized and unrealized gain (loss) on investments, net	(43,599)	58,436
Special events, net	31,788	23,650
Other	55	28
	330,060	384,706
Net assets released from restrictions	220,644	184,489
Total unrestricted support, revenues, and gains	550,704	569,195
Expenses:		
Program services—health education	456,164	422,786
Supporting services:		
Management and general	135,474	113,089
Development	110,626	98,675
Total expenses	702,264	634,550
Decrease in unrestricted net assets	(151,560)	(65,355)
Changes in temporarily restricted net assets		
Contributions	249,217	175,228
Net assets released from restrictions	(220,644)	(184,489)
Increase (decrease) in temporarily restricted net assets	28,573	(9,261)
Changes in permanently restricted net assets		
Realized and unrealized gain (loss) on investments, net	(87,953)	111,377
Increase (decrease) in net assets	(210,940)	36,761
Net assets at beginning of year	2,492,962	2,456,201
Net assets at end of year	\$ 2,282,022	\$ 2,492,962

Harold W. McMillen Center for Health Education, Inc.

Statement of Functional Expenses

Year ended June 30, 2012

	Program Services Health Education	Supporting Services		Total Expenses
		Management and General	Development	
Salaries, wages, and benefits	\$ 267,729	\$ 85,962	\$ 88,827	\$ 442,518
Computer expense	27,042	6,768	3,808	37,618
Insurance	13,220	2,228	139	15,587
Interest	-	6,454	-	6,454
Office supplies and expense	18,090	1,518	1,412	21,020
Operating supplies and expense	10,778	8,840	924	20,542
Public relations	11,385	1,200	11	12,596
Professional fees	6,613	14,060	1,526	22,199
Repairs and maintenance	12,982	407	102	13,491
Special event expenses	-	-	7,344	7,344
Telephone	2,328	535	346	3,209
Training	1,776	450	466	2,692
Travel	3,378	967	2,238	6,583
Utilities	28,274	1,190	298	29,762
Total expenses before depreciation	403,595	130,579	107,441	641,615
Depreciation	52,569	4,895	3,185	60,649
Total expenses	\$ 456,164	\$ 135,474	\$ 110,626	\$ 702,264

Harold W. McMillen Center for Health Education, Inc.

Statement of Functional Expenses

Year ended June 30, 2011

	Program Services Health Education	Supporting Services		Total Expenses
		Management and General	Development	
Salaries, wages, and benefits	\$ 251,789	\$ 75,937	\$ 66,238	\$ 393,964
Computer expense	7,942	657	3,397	11,996
Insurance	13,222	2,229	139	15,590
Interest	-	5,347	-	5,347
Office supplies and expense	12,935	1,199	1,030	15,164
Operating supplies and expense	10,916	4,838	1,379	17,133
Public relations	18,535	1,450	-	19,985
Professional fees	5,808	13,252	17,528	36,588
Repairs and maintenance	10,104	266	67	10,437
Telephone	1,564	418	239	2,221
Training	746	475	120	1,341
Travel	1,225	545	990	2,760
Utilities	29,339	1,235	309	30,883
Total expenses before depreciation	364,125	107,848	91,436	563,409
Depreciation	58,661	5,241	7,239	71,141
Total expenses	\$ 422,786	\$ 113,089	\$ 98,675	\$ 634,550

Harold W. McMillen Center for Health Education, Inc.

Statements of Cash Flows

	Year ended June 30	
	2012	2011
Operating activities		
Increase (decrease) in net assets	\$ (210,940)	\$ 36,761
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	60,649	71,141
Realized and unrealized loss (gain) on investments	122,032	(179,774)
Changes in operating assets and liabilities:		
Receivables	(17,078)	72,554
Accrued interest and dividends receivable	32	7
Prepaid expenses	(4,537)	6,388
Accounts payable	(6,979)	12,166
Accrued expenses	7,008	744
Deferred revenue	2,493	(240)
Cash provided by (used in) operating activities	<u>(47,320)</u>	19,747
Investing activities		
Additions to land, building, exhibits, and equipment	(4,400)	(19,838)
Purchase of investments	(1,866,002)	(1,474,567)
Proceeds from sale and maturities of investments	1,939,056	1,449,284
Cash provided by (used in) investing activities	<u>68,654</u>	(45,121)
Financing activities —borrowings (payments) on line of credit, net	<u>(9,688)</u>	18,800
Increase (decrease) in cash and cash equivalents	11,646	(6,574)
Cash and cash equivalents at beginning of year	583	7,157
Cash and cash equivalents at end of year	<u>\$ 12,229</u>	<u>\$ 583</u>

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements

June 30, 2012

1. Organization and Summary of Significant Accounting Policies

Organization

The Mission of the Harold W. McMillen Center for Health Education, Inc. (McMillen Center) is:

to provide vital and effective preventive health education that promotes physical, emotional and social well-being.

McMillen Center provides health education programs to nearly 40,000 youth and other individuals annually. Programs are presented either at the McMillen Center facility, at a site of the customer's choice, or via interactive videoconferencing. Program curriculum is interdisciplinary in approach, with the staff using a variety of teaching methods and tools including role playing, interactive games, and technology.

McMillen Center is a nonprofit voluntary health and welfare organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50 percent charitable contributions deduction limitation. McMillen Center has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. Management believes McMillen Center is no longer subject to examination by taxing authorities for years before June 30, 2009.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents with the exception on money market funds. McMillen Center maintains cash accounts at a local bank.

Investments

McMillen Center's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See *Note 4* for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income from securities is recorded as earned on an accrual basis. Capital gain distributions are included in dividend income.

Net realized and unrealized investment gains or losses are determined by comparison of asset cost, using the specific identification method, to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Land, Building, Exhibits, and Equipment

Land, building, exhibits, and equipment are stated at cost or if donated, at fair market value at date of donation, except for land, building, exhibits, and equipment that have been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired assets as of June 30, 2012 or 2011. Items with a cost of \$1,500 or more and a useful life of one year or more are capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

Building and improvements	7 – 40 years
Exhibits and equipment	5 – 10 years

Expenses for normal repairs and maintenance are expensed as incurred.

Net Assets

Net assets are allocated to and accounted for based upon the donor's intended purpose. Unrestricted net assets have no donor imposed restrictions placed upon them. In addition, McMillen Center has received certain net assets for specific purposes or for later periods of time or after specified dates, and these amounts are reported as temporarily or permanently restricted net assets. Temporarily restricted net assets include amounts whose use is limited by donor imposed stipulations that can be met and removed by actions of McMillen Center pursuant to those stipulations, occurrence of a stated event, or passage of a specified time period. When donor imposed stipulations are met, 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. Permanently restricted net assets include amounts whose use is limited by donor imposed restrictions which stipulate that resources be maintained permanently, but permits McMillen Center to expend part or all of the income derived from the donated assets for either unrestricted or temporarily restricted purposes. Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor restricted.

Concentration of Credit Risk

McMillen Center grants credit to the users of its services, which are primarily schools in the northeastern Indiana area. McMillen Center performs ongoing credit evaluations, provides an allowance for uncollectible receivables, if necessary, and writes off uncollectible amounts as

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk (continued)

they become known. McMillen Center received the largest portion of its admission fees from Fort Wayne Community School Corporation in 2011 and 2010.

McMillen Center's investment portfolio consists of a diverse mix of investments, without concentration of risk by type, industry, or geographic area, which are managed by professional investment managers in compliance with the investment policy established by the Board of Directors. Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect account balances.

Revenue

McMillen Center recognizes revenue upon admission and contractual delivery of health education services and instruction or completion of a special event. Accordingly, funds received for admissions or special events related to future periods are recorded as deferred revenue.

Special events included the Vitality Awards in the year ended June 30, 2012 and a Celebrity Roast and a Ladies Spa Night in the year ended June 30, 2011. Special events revenue is presented in the statements of activities and changes in net assets net of expenses. Expenses related to these special events amounted to \$5,843 and \$11,494 for the years ended June 30, 2012 and 2011, respectively.

Contributions and Pledges Receivable

Contributions, including gifts, grants, bequests, pledges, and other unconditional promises to give, without restrictions or stipulations are recorded as support (revenue) in the period received. Contributions are reported as temporarily restricted or permanently restricted support if they are received with donor imposed stipulations that limit their use.

Contributions of assets other than cash are recorded at their fair market value.

Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and typically need to be purchased if not provided by donation. During the years ended June 30, 2012 and 2011, the value of contributed services and materials recognized as revenue in the accompanying statements of activities and changes in net assets was \$47,415 and \$9,198, respectively.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Contributions and Pledges Receivable (continued)

Unconditional promises or pledges are recorded at net realizable value. McMillen Center provides an allowance for uncollectible pledges which is based on historical collection experience and management's estimate of the losses that will be incurred in the collection of all pledges receivable. As of June 30, 2012 and 2011, no allowance for uncollectible pledges was deemed necessary.

Financial Instruments

Financial instruments consist of cash, cash equivalents, receivables, investments, accounts payable, and accrued expenses. The carrying amounts reported in the statements of financial position for cash and cash equivalents, admission fees, pledges, other, accrued interest and dividends receivable, accounts payable, and accrued expenses approximate their fair value. Management's estimate of the fair value of investments is as previously described and is in *Notes 3 and 4* to the financial statements.

Use of Estimates

Preparation of the 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 in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional Allocation of Expenses

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Reclassifications

Certain amounts for the year ended June 30, 2011 have been reclassified to conform with the presentation for the year ended June 30, 2012.

2. Pledges Receivable

Pledges receivable represent unconditional promises to give. At June 30, 2012 and 2011, McMillen Center had pledges receivable of \$82,900 and \$64,500, respectively.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

3. Investments

The fair value of investments is as follows:

	June 30	
	2012	2011
Invested cash	\$ 996	\$ 1,275
Money market funds	53,039	95,223
Trust preferred securities	68,742	-
Mutual funds	1,396,106	1,586,198
Exchange traded funds	197,352	223,801
	<u>1,716,235</u>	<u>1,906,497</u>
Funds held by the Community		
Foundation of Greater Fort Wayne Inc.	49,161	53,985
Total investments	<u>\$ 1,765,396</u>	<u>\$ 1,960,482</u>
Permanently restricted by donors	\$ 1,693,322	\$ 1,781,275
Board designated as endowment funds	22,913	125,222
Total endowment funds invested	<u>1,716,235</u>	<u>1,906,497</u>
Funds held by the Community		
Foundation of Greater Fort Wayne Inc.	49,161	53,985
Total investments	<u>\$ 1,765,396</u>	<u>\$ 1,960,482</u>

The investments held by the Community Foundation of Greater Fort Wayne Inc. (Foundation) are the result of an agreement whereby McMillen Center has transferred assets to the Foundation and has specified itself as the beneficiary of the assets. McMillen Center may draw up to a certain percent of the value of the assets each year, subject to certain conditions and limitations, but may only obtain a return of the full value of the assets upon consent of the Foundation. McMillen Center's beneficial interest in these funds is included in investments.

Additionally, the Foundation holds investment assets, with a value of \$8,806 and \$9,010 at June 30, 2012 and 2011, respectively, for the benefit of McMillen Center. McMillen Center is precluded from recognizing these assets held by the Foundation because the donors explicitly granted variance power to the Foundation. Accordingly, McMillen Center only recognizes its annual grants by the Foundation from these funds as contributions.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

3. Investments (continued)

The composition of investment return recognized in the statements of activities and changes in net assets are as follows:

	Year ended June 30	
	2012	2011
Investment income:		
Interest and dividends	\$ 85,961	\$ 78,306
Net realized gain on investments	11,314	132,889
Net unrealized gain (loss) on investments	(133,346)	46,885
	<u>(36,071)</u>	<u>258,080</u>
Investment expenses	(9,520)	(9,961)
Net investment income (loss)	<u>\$ (45,591)</u>	<u>\$ 248,119</u>

4. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820 (ASC 820), *Fair Value Measurements and Disclosures*, establishes a 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). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that McMillen Center has the ability to access.
- 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; If the asset or liability has a specified (contractual) term, the Level 2 input 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.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

4. Fair Value Measurements (continued)

The asset's 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2012 and 2011.

Invested cash: Recorded at cost plus accrued interest (carrying value), which approximates fair value.

Money market funds: The money market funds are valued at quoted market prices in an exchange and active market, which represent the net asset values of shares held by McMillen Center at year end.

Trust preferred securities: The Trust Preferred Securities held by McMillen Center are hybrid securities with characteristics of both subordinated debt and preferred stock issued by JPMorgan Chase & Co. These securities are valued at the closing market price on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value (NAV) of shares held by McMillen Center at year-end.

Exchange traded funds: Valued at the net asset value (NAV) of shares held by McMillen Center at year-end. The NAV is based on the value of the underlying assets owned by the fund, less liabilities, divided by the number of shares outstanding. Exchange traded funds that are publicly traded on major exchanges are valued at the closing price reported on the major market on which the individual securities are traded.

Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.: Valued at the fair market value of the underlying investments, as reported by the Community Foundation of Greater Fort Wayne Inc. at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while McMillen Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

4. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, McMillen Center's assets at fair value as of June 30, 2012 and 2011:

	Assets at Fair Value at June 30, 2012			
	Level 1	Level 2	Level 3	Total
Invested cash	\$ 996	\$ -	\$ -	\$ 996
Money market fund	53,039	-	-	53,039
Trust preferred securities	68,742	-	-	68,742
Mutual funds				
Equity funds:				
Large growth	181,178	-	-	181,178
Small blend	81,455	-	-	81,455
Diversified—Pacific/Asia	181,180	-	-	181,180
Energy	40,837	-	-	40,837
Fixed income funds:				
Intermediate-term bond	88,768	-	-	88,768
Multisector bond	243,088	-	-	243,088
Nontraditional bond	86,252	-	-	86,252
World bond	86,017	-	-	86,017
World allocation—large blend	170,749	-	-	170,749
World allocation—large value	236,582	-	-	236,582
	1,396,106	-	-	1,396,106
Exchange traded funds				
Large blend	197,352	-	-	197,352
Funds held by the Community				
Foundation of Greater Fort				
Wayne Inc.	-	49,161	-	49,161
Total assets at fair value	\$ 1,716,235	\$ 49,161	\$ -	\$ 1,765,396

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

4. Fair Value Measurements (continued)

	Assets at Fair Value at June 30, 2011			
	Level 1	Level 2	Level 3	Total
Invested cash	\$ 1,275	\$ -	\$ -	\$ 1,275
Money market fund	95,223	-	-	95,223
Mutual funds				
Equity funds:				
Large blend	272,469	-	-	272,469
Large growth	187,063	-	-	187,063
Large value	203,459	-	-	203,459
Small blend	39,127	-	-	39,127
Diversified emerging markets—large growth	95,261	-	-	95,261
Fixed income funds:				
High yield bond	112,581	-	-	112,581
Multisector bond	135,474	-	-	135,474
World bond	282,251	-	-	282,251
Commodity broad basket	85,381	-	-	85,381
Mid blend—diversified arbitrage	56,050	-	-	56,050
World class—all assets	117,082	-	-	117,082
	<u>1,586,198</u>	-	-	<u>1,586,198</u>
Exchange traded funds				
Large value	223,801	-	-	223,801
Funds held by the Community Foundation of Greater Fort Wayne Inc.	-	53,985	-	53,985
Total assets at fair value	<u>\$ 1,906,497</u>	<u>\$ 53,985</u>	<u>\$ -</u>	<u>\$ 1,960,482</u>

5. Endowment Funds

ASC 958, *Not-for-Profit Entities*, requires certain net asset classification changes for institutional endowment funds under Uniform Prudent Management of Institutional Funds Act (UPMIFA). Effective July 1, 2007, the Indiana General Assembly adopted UPMIFA.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

5. Endowment Funds (continued)

McMillen Center may hold donor restricted endowment funds where the gift instrument clearly stipulates that McMillen Center is not to spend the principal or some other portion of the gift, in which case such gift instrument will supersede McMillen Center's ability to spend the whole fund. ASC 958 requires the classification of a portion of a donor restricted endowment fund of perpetual duration to be classified as permanently restricted.

McMillen Center's endowment consists of several individual donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of McMillen Center has interpreted 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 stipulation to the contrary. As a result of this interpretation, McMillen Center 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. In accordance with UPMIFA, McMillen Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of McMillen Center and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation (depreciation) of investments.
- Other resources of McMillen Center.
- The investment policies of McMillen Center.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

5. Endowment Funds (continued)

Endowment net asset composition by type of fund as of June 30, 2012 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
McMillen Foundation	\$ -	\$ -	\$ 1,210,986	\$ 1,210,986
Other	-	-	482,336	482,336
	-	-	1,693,322	1,693,322
Board-designated endowment funds:				
Funds held by the Community Foundation of Greater Fort Wayne Inc.	49,161	-	-	49,161
Other	22,913	-	-	22,913
	72,074	-	-	72,074
Total funds	\$ 72,074	\$ -	\$ 1,693,322	\$ 1,765,396

Changes in endowment net assets for the year ended June 30, 2012 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ 179,207	\$ -	\$ 1,781,275	\$ 1,960,482
Investment return:				
Interest and dividends	85,961	-	-	85,961
Realized and unrealized loss on investments, net of investment expenses	(43,599)	-	(87,953)	(131,552)
Total investment return	42,362	-	(87,953)	(45,591)
Other changes:				
Distribution of endowment net assets for expenditures	(145,468)	-	-	(145,468)
Distribution of funds held by the Community Foundation of Greater Fort Wayne Inc.	(4,027)	-	-	(4,027)
Endowment net assets at end of year	\$ 72,074	\$ -	\$ 1,693,322	\$ 1,765,396

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

5. Endowment Funds (continued)

Endowment net asset composition by type of fund as of June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
McMillen Foundation	\$ -	\$ -	\$ 1,298,939	\$ 1,298,939
Other	-	-	482,336	482,336
	-	-	1,781,275	1,781,275
Board-designated endowment funds:				
Funds held by the Community Foundation of Greater Fort Wayne Inc.	53,985	-	-	53,985
Other	125,222	-	-	125,222
	179,207	-	-	179,207
Total funds	\$ 179,207	\$ -	\$ 1,781,275	\$ 1,960,482

Changes in endowment net assets for the year ended June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ 85,527	\$ -	\$ 1,669,898	\$ 1,755,425
Investment return:				
Interest and dividends	78,306	-	-	78,306
Realized and unrealized gain on investments, net of investment expenses	58,436	-	111,377	169,813
Total investment return	136,742	-	111,377	248,119
Other changes:				
Distribution of endowment net assets for expenditures	(38,600)	-	-	(38,600)
Distribution of funds held by the Community Foundation of Greater Fort Wayne Inc.	(4,462)	-	-	(4,462)
Endowment net assets at end of year	\$ 179,207	\$ -	\$ 1,781,275	\$ 1,960,482

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

5. Endowment Funds (continued)

Return Objectives and Risk Parameters

McMillen Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Pursuant to this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of certain investment benchmark indices while assuming a moderate level of investment risk. McMillen Center expects its endowment funds, over time, to provide an average rate of return in excess of the annual distribution percentage plus inflation annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, McMillen Center 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). McMillen Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

McMillen Center's Board of Directors has approved a spending policy whereby a predetermined amount of investment income on unrestricted investment funds is designated to fund current operations. This annual distribution is calculated at 5 percent of the last three year's average market value of the endowment fund through the fiscal year-end preceding the fiscal year in which the distribution is planned and is limited to the unrestricted portion of the endowment fund. During the years ended June 30, 2012 and 2011, the annual distribution was \$85,468 and \$38,600, respectively. The Board of Directors also authorized a \$69,856 distribution with \$60,000 distributed from the unrestricted portion of the endowment funds during the year ended June 30, 2012 pursuant to its revised spending policy. The Board of Directors revised its spending policy whereby annual distributions are now calculated as 4 percent of the 12 quarter rolling average on March 31.

In establishing this policy, McMillen Center considered the long-term expected return on its endowment. Accordingly, over the long term, McMillen Center expects the current spending

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

5. Endowment Funds (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy (continued)

policy to allow its endowment to grow. This is consistent with McMillen Center's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

6. Net Assets

Temporarily restricted net assets of \$157,258 and \$128,685 at June 30, 2012 and 2011, respectively, are to be used for future operations and programs.

Temporarily restricted net assets released from donor restrictions as a result of incurring expenses to satisfy the restricted purposes or by occurrence of other events specified by donors were as follows:

	Year ended June 30	
	2012	2011
Satisfaction of program requirements	\$ 173,817	\$ 94,512
Satisfaction of purchase requirements	16,827	49,977
Satisfaction of time and other restrictions	30,000	40,000
	\$ 220,644	\$ 184,489

Permanently restricted net assets consist of funds provided by:

	June 30	
	2012	2011
McMillen Foundation	\$1,210,986	\$1,298,939
Others	482,336	482,336
	\$1,693,322	\$1,781,275

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

7. Debt Arrangements

Pursuant to a revolving line of credit arrangement with a bank, McMillen Center may borrow up to \$200,000 subject to certain terms and conditions. This line of credit arrangement is secured by McMillen Center's inventory, accounts receivable, and general intangibles and expires on December 5, 2013. The line of credit arrangement bears interest at the bank base rate plus .5 percent, but not less than 4.5 percent (4.5 percent at June 30, 2012), which is due and payable monthly. Borrowings pursuant to this line of credit arrangement were \$137,136 and \$146,824 at June 30, 2012 and 2011.

The debt arrangements contain customary representations, warranties, and covenants, including the incurrence of other debt and other terms and conditions. At June 30, 2012, the McMillen Center was in compliance with its debt covenants, terms, and conditions.

8. Employee Retirement Plan

McMillen Center sponsors a Section 403(b) plan. All employees are eligible to participate in the plan, which allows the maximum employee contribution permitted under the Internal Revenue Code. McMillen Center does not provide matching funds.

9. Related Party Transactions

Certain members of the Board of Directors are employed by organizations that have paid admission fees to or provided banking and other services for McMillen Center. The fees received or paid for these services were based on customary and reasonable rates for such services.

10. Subsequent Events

Management has evaluated subsequent events through August 10, 2012, the date on which the financial statements were available to be issued.