

Financial Statements

HAROLD W. McMILLEN CENTER FOR HEALTH EDUCATION, INC.

*Years ended June 30, 2015 and 2014
with Report of Independent Auditors*

Harold W. McMillen Center for Health Education, Inc.

Financial Statements

Years ended June 30, 2015 and 2014

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of Harold W. McMillen Center for Health Education, Inc. (McMillen Center) 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 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 McMillen Center as of June 30, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Haines, Asenbarger & Skiba, LLC

August 13, 2015

Harold W. McMillen Center for Health Education, Inc.

Statements of Financial Position

	June 30	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 149,375	\$ 65,790
Receivables:		
Current portion of pledges receivable	63,920	46,151
Admission fees and other	6,710	89,622
	<u>70,630</u>	135,773
Inventory	46,029	15,890
Prepaid expenses and other current assets	9,431	4,880
Total current assets	<u>275,465</u>	222,333
Investments	1,832,937	1,864,372
Pledges receivable, less current portion	5,000	-
Land, building, exhibits, and equipment:		
Land	94,735	94,735
Building and improvements	1,944,359	1,790,105
Exhibits and equipment	1,276,913	1,288,070
	<u>3,316,007</u>	3,172,910
Less accumulated depreciation	2,652,031	2,635,113
	<u>663,976</u>	537,797
Total assets	<u>\$ 2,777,378</u>	<u>\$ 2,624,502</u>
Liabilities and net assets		
Current liabilities:		
Line of credit	\$ 50,000	\$ 66,625
Accounts payable	11,664	9,489
Accrued expenses	23,603	24,822
Deferred revenue	7,244	2,418
Total current liabilities	<u>92,511</u>	103,354
Net assets:		
Unrestricted	986,022	908,151
Temporarily restricted	205,523	119,675
Permanently restricted	1,493,322	1,493,322
Total net assets	<u>2,684,867</u>	2,521,148
Total liabilities and net assets	<u>\$ 2,777,378</u>	<u>\$ 2,624,502</u>

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Statements of Activities and Changes in Net Assets

	Year ended June 30	
	2015	2014
Changes in unrestricted net assets		
Support, revenues, and gains:		
Contributions	\$ 128,779	\$ 134,424
Contributed services and materials	15,696	22,652
Admission fees	135,697	126,518
Merchandise sales, net of cost	82,949	86,004
Interest and dividends	65,572	61,591
Realized and unrealized gain (loss) on investments, net	(26,980)	182,848
Special events	39,748	19,213
Loss on disposal of exhibits and equipment	-	(1,351)
Other	1,384	200
	<u>442,845</u>	632,099
Net assets released from restrictions	<u>434,049</u>	337,019
Total unrestricted support, revenues, and gains	<u>876,894</u>	969,118
Expenses:		
Program services—health education	539,148	473,370
Supporting services:		
Management and general	171,823	186,420
Development	88,052	85,101
Total expenses	<u>799,023</u>	744,891
Increase in unrestricted net assets	<u>77,871</u>	224,227
Changes in temporarily restricted net assets		
Contributions	194,673	207,798
Capital campaign contributions for renovation project	325,224	-
Net assets released from restrictions	<u>(434,049)</u>	(337,019)
Increase (decrease) in temporarily restricted net assets	<u>85,848</u>	(129,221)
Increase in net assets	163,719	95,006
Net assets at beginning of year	<u>2,521,148</u>	2,426,142
Net assets at end of year	<u><u>\$ 2,684,867</u></u>	<u><u>\$ 2,521,148</u></u>

Harold W. McMillen Center for Health Education, Inc.

Statement of Functional Expenses

Year ended June 30, 2015

	Program Services Health Education	Supporting Services Management and General	Development	Total Expenses
Salaries, wages, and benefits	\$ 351,382	\$ 138,396	\$ 40,149	\$ 529,927
Computer expense	2,956	1,127	1,151	5,234
Insurance	14,269	2,206	446	16,921
Interest	-	3,181	-	3,181
Office supplies and expense	11,320	1,655	1,603	14,578
Operating supplies and expense	35,389	2,710	4,189	42,288
Public relations	13,125	-	7,135	20,260
Professional fees	3,144	14,445	515	18,104
Repairs and maintenance	16,292	114	327	16,733
Special event expenses	-	-	22,403	22,403
Telephone	1,631	480	192	2,303
Training	881	111	20	1,012
Travel	6,667	3,881	1,954	12,502
Utilities	27,905	291	872	29,068
Total expenses before depreciation	484,961	168,597	80,956	734,514
Depreciation	54,187	3,226	7,096	64,509
Total expenses	\$ 539,148	\$ 171,823	\$ 88,052	\$ 799,023

Harold W. McMillen Center for Health Education, Inc.

Statement of Functional Expenses

Year ended June 30, 2014

	Program Services Health Education	Supporting Services Management and General	Development	Total Expenses
Salaries, wages, and benefits	\$ 279,153	\$ 153,845	\$ 50,442	\$ 483,440
Computer expense	3,354	1,243	1,200	5,797
Insurance	14,067	1,907	440	16,414
Interest	-	3,486	-	3,486
Office supplies and expense	20,123	1,908	1,613	23,644
Operating supplies and expense	33,108	2,580	4,088	39,776
Public relations	14,285	-	7,359	21,644
Professional fees	3,344	14,540	548	18,432
Provision for bad debts	-	135	-	135
Repairs and maintenance	17,862	106	318	18,286
Special event expenses	-	-	9,885	9,885
Telephone	2,147	631	253	3,031
Training	2,675	1,489	237	4,401
Travel	3,538	1,213	1,139	5,890
Utilities	28,678	299	896	29,873
Total expenses before depreciation	422,334	183,382	78,418	684,134
Depreciation	51,036	3,038	6,683	60,757
Total expenses	<u>\$ 473,370</u>	<u>\$ 186,420</u>	<u>\$ 85,101</u>	<u>\$ 744,891</u>

Harold W. McMillen Center for Health Education, Inc.

Statements of Cash Flows

	Year ended June 30	
	2015	2014
Operating activities		
Increase in net assets	\$ 163,719	\$ 95,006
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	64,509	60,757
Realized and unrealized (gain) loss on investments, net	26,980	(182,848)
Loss of disposal of exhibit and equipment	-	1,351
Changes in operating assets and liabilities:		
Pledges receivables	(22,769)	21,846
Admissions fees and other receivables	82,912	(77,164)
Inventory	(30,139)	(15,388)
Prepaid expenses and other current assets	(4,551)	3,981
Accounts payable	2,175	1,379
Accrued expenses	(1,219)	(11,831)
Deferred revenue	4,826	823
Cash provided by (used in) operating activities	<u>286,443</u>	<u>(102,088)</u>
Investing activities		
Additions to land, building, exhibits, and equipment	(190,688)	(79,654)
Purchases of investments	(600,465)	(893,824)
Proceeds from sale and maturities of investments	604,920	901,391
Cash used in investing activities	<u>(186,233)</u>	<u>(72,087)</u>
Financing activities —borrowings		
(payment) on line of credit, net	<u>(16,625)</u>	66,625
Increase (decrease) in cash and cash equivalents	83,585	(107,550)
Cash and cash equivalents at beginning of year	65,790	173,340
Cash and cash equivalents at end of year	<u>\$ 149,375</u>	<u>\$ 65,790</u>

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements

June 30, 2015

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 over 45,000 youth and adults annually. Programs are presented either at the McMillen Center facility, at a site of the customer's choice, or via interactive videoconferencing. The Center also serves over 60,000 preschool age children nationwide through oral health curriculum and develops educational video through their green screen film studio.

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, 2012.

During the year ended June 30, 2015, McMillen Center began a capital campaign to raise approximately \$725,000 to upgrade its facility, road, parking lot and certain technology (Renovation Project).

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 of 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.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

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

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.

Land, Building, Exhibits, and Equipment

Land, building, exhibits, and equipment are stated at cost or if donated, at fair market value at the 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, 2015 or 2014. 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.

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

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 they become known. McMillen Center received the largest portion of its admission fees from Fort Wayne Community School Corporation in 2015 and 2014.

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 volatility 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 may 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 years ended June 30, 2015 and 2014.

Revenue from merchandise sales, primarily dental care books and DVD's, is recognized when the product is shipped to the customer and is recorded net of customer returns and discounts. Cost of sales for the year ended June 30, 2015 and 2014 were \$79,726 and \$80,050, respectively.

Effective June 30, 2015, McMillen Center entered into a contract with The Health and Hospital Corporation of Marion County, Indiana d/b/a Marion County Public Health Department (MCPHD) to provide services and develop and integrate oral health materials and products into the Indiana State Department of Health's Women, Infants and Children (WIC) Program through September 30, 2015. The cost to MCPHD is not to exceed \$180,000.

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.

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)

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, 2015 and 2014, the value of contributed services and materials recognized as revenue in the accompanying statements of activities and changes in net assets was \$15,696 and \$22,652, respectively.

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, 2015 and 2014, no allowance for uncollectible pledges was deemed necessary.

Conditional promises or pledges are recognized when the conditions on which they depend are substantially met. During the year ended June 30, 2015, McMillen Center was awarded a \$300,000 matching (challenge) grant from the McMillen Foundation that will support McMillen Center's Renovation Project. For every \$3 raised by McMillen Center, \$2 will be contributed pursuant to the challenge grant to a maximum of \$300,000. As of June 30, 2015, qualifying matching gifts received has resulted in conditional grant funds of \$130,089 being recognized in the financial statements.

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.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

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

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, 2014 have been reclassified to conform with the presentation for the year ended June 30, 2015.

2. Pledges Receivable

Unconditional promises to give to McMillen Center are recorded as pledges receivable at the present value of future cash flows. McMillen Center's pledges receivable are as follows:

	<u>June 30</u>	
Amounts due in:		
Less than one year	\$ 63,920	\$ 46,151
One to five years	5,000	-
	<u>\$ 68,920</u>	<u>\$ 46,151</u>

3. Investments

The fair value of investments is as follows:

	<u>June 30</u>	
	<u>2015</u>	<u>2014</u>
Money market funds	\$ 20,775	\$ 33,154
Trust preferred securities	-	35,100
Mutual funds	1,437,904	1,369,276
Exchange traded funds	313,982	365,018
	<u>1,772,661</u>	<u>1,802,548</u>
Funds held by the Community		
Foundation of Greater Fort Wayne Inc.	60,276	61,824
Total investments	<u>\$ 1,832,937</u>	<u>\$ 1,864,372</u>

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

3. Investments (continued)

	June 30	
	2015	2014
Permanently restricted by donors	\$ 1,493,322	\$ 1,493,322
Board designated as endowment funds	279,339	309,226
Total endowment funds invested	1,772,661	1,802,548
Funds held by the Community		
Foundation of Greater Fort Wayne Inc.	60,276	61,824
Total investments	\$ 1,832,937	\$ 1,864,372

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 \$11,717 and \$11,811 at June 30, 2015 and 2014, 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.

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

	Year ended June 30	
	2015	2014
Investment income:		
Interest and dividends	\$ 65,542	\$ 61,591
Interest on cash equivalents	30	-
Net realized gain on investments	30,759	60,234
Net unrealized gain (loss) on investments	(47,801)	132,183
	48,530	254,008
Investment expenses	(9,938)	(9,569)
Net investment income	\$ 38,592	\$ 244,439

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

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.

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, 2015 and 2014.

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.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

4. Fair Value Measurements (continued)

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 and exchange traded funds: Valued at the daily closing price. Mutual funds and exchange traded funds held by McMillen Center are open-end funds that are registered with the Securities and Exchange Commission. The mutual funds and exchange traded funds held by McMillen Center are deemed to be actively 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, 2015 and 2014:

	Assets at Fair Value at June 30, 2015			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 20,775	\$ -	\$ -	\$ 20,775
Mutual funds				
Equity funds:				
Large growth	308,138	-	-	308,138
Large blend	94,728	-	-	94,728
Diversified emerging markets	107,993	-	-	107,993
Diversified—international	269,250	-	-	269,250
Commodities	36,883	-	-	36,883
Fixed income funds:				
Intermediate-term bond	228,903	-	-	228,903
Short-term bond	90,039	-	-	90,039
Nontraditional bond	85,371	-	-	85,371
World bond	127,257	-	-	127,257
World allocation—large value	89,342	-	-	89,342
	<u>1,437,904</u>	-	-	<u>1,437,904</u>
Exchange traded funds				
Large blend	313,982	-	-	313,982
Funds held by the Community Foundation of Greater Fort Wayne Inc.	-	60,276	-	60,276
Total assets at fair value	<u>\$ 1,772,661</u>	<u>\$ 60,276</u>	<u>\$ -</u>	<u>\$ 1,832,937</u>

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, 2014			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 33,154	\$ -	\$ -	\$ 33,154
Trust preferred securities	-	35,100	-	35,100
Mutual funds				
Equity funds:				
Large growth	288,608	-	-	288,608
Large blend	90,875	-	-	90,875
Diversified emerging markets	91,402	-	-	91,402
Diversified—international	232,212	-	-	232,212
Global real estate	55,166	-	-	55,166
Fixed income funds:				
Intermediate-term bond	325,229	-	-	325,229
World bond	194,088	-	-	194,088
World allocation—large value	91,696	-	-	91,696
	<u>1,369,276</u>	-	-	<u>1,369,276</u>
Exchange traded funds				
Large blend	365,018	-	-	365,018
Funds held by the Community Foundation of Greater Fort Wayne Inc.				
	-	61,824	-	61,824
Total assets at fair value	<u>\$ 1,767,448</u>	<u>\$ 96,924</u>	<u>\$ -</u>	<u>\$ 1,864,372</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, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
McMillen Foundation	\$ -	\$ -	\$ 1,010,986	\$ 1,010,986
Other	-	-	482,336	482,336
	-	-	1,493,322	1,493,322
Board-designated endowment funds:				
Funds held by the Community Foundation of Greater Fort Wayne Inc.	60,276	-	-	60,276
Other	279,339	-	-	279,339
	339,615	-	-	339,615
Total funds	<u>\$ 339,615</u>	<u>\$ -</u>	<u>\$ 1,493,322</u>	<u>\$ 1,832,937</u>

Changes in endowment net assets for the year ended June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ 371,050	\$ -	\$ 1,493,322	\$ 1,864,372
Investment return:				
Interest and dividends	65,542	-	-	65,542
Realized and unrealized loss on investments, net of investment expenses	(26,980)	-	-	(26,980)
Total investment return	38,562	-	-	38,562
Other changes:				
Distribution of endowment net assets for expenditures	(69,997)	-	-	(69,997)
Endowment net assets at end of year	<u>\$ 339,615</u>	<u>\$ -</u>	<u>\$ 1,493,322</u>	<u>\$ 1,832,937</u>

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, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
McMillen Foundation	\$ -	\$ -	\$ 1,010,986	\$ 1,010,986
Other	-	-	482,336	482,336
	-	-	1,493,322	1,493,322
Board-designated endowment funds:				
Funds held by the Community Foundation of Greater Fort Wayne Inc.	61,824	-	-	61,824
Other	309,226	-	-	309,226
	371,050	-	-	371,050
Total funds	\$ 371,050	\$ -	\$ 1,493,322	\$ 1,864,372

Changes in endowment net assets for the year ended June 30, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ 195,769	\$ -	\$ 1,493,322	\$ 1,689,091
Investment return:				
Interest and dividends	61,591	-	-	61,591
Realized and unrealized gain on investments, net of investment expenses	182,848	-	-	182,848
Total investment return	244,439	-	-	244,439
Other changes:				
Distribution of endowment net assets for expenditures	(69,158)	-	-	(69,158)
Endowment net assets at end of year	\$ 371,050	\$ -	\$ 1,493,322	\$ 1,864,372

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 4 percent of the 12 quarter rolling average on March 31 and is limited to the unrestricted portion of the endowment fund.

During the years ended June 30, 2015 and 2014, the annual distribution was \$69,997 and \$69,158, respectively.

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 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.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

6. Net Assets

Temporarily restricted net assets are to be used for the following purposes:

	June 30	
	2015	2014
Future operations and programs	\$ 45,381	\$ 108,117
Capital campaign for renovation project	144,242	-
Dental health education	15,900	11,558
	<u>\$ 205,523</u>	<u>\$ 119,675</u>

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	
	2015	2014
Satisfaction of program requirements and other operational restrictions	\$ 253,067	\$ 226,019
Satisfaction of capital campaign requirements for renovation project	180,982	111,000
	<u>\$ 434,049</u>	<u>\$ 337,019</u>

Permanently restricted net assets consist of funds provided by:

	June 30	
	2015	2014
McMillen Foundation	\$1,010,986	\$1,010,986
Others	482,336	482,336
	<u>\$1,493,322</u>	<u>\$1,493,322</u>

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 October 5, 2018. 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, 2015), which is due and payable monthly. Borrowings pursuant of this line of credit arrangement were \$50,000 and \$66,625 at June 30, 2015 and 2014, respectively.

The debt arrangements contain customary representations, warranties, and covenants, including the incurrence of other debt and other terms and conditions. At June 30, 2015, 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 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 13, 2015, the date on which the financial statements were available to be issued.