the Iris network
Vision with no limits.

THE IRIS NETWORK

FINANCIAL STATEMENTS
With Independent Auditors' Report

SEPTEMBER 30, 2014 AND 2013

ALBIN, RANDALL & BENNETT
Certified Public Accountants ▪ Business Consultants

THE IRIS NETWORK

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Iris Network:

Report on the Financial Statements

We have audited the accompanying financial statements of The Iris Network (the Organization), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities, cash flows, and functional expenses 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 qualified audit opinion.

Basis for Qualified Opinions

As more fully described in Note 11 to the financial statements, the Organization reports its investment in Iris Properties, LLC, a wholly-owned subsidiary, and Iris Park Apartments LP, of which Iris Properties, LLC per the partnership agreement has control, at cost. In our opinion, accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries. If the financial statements of The Iris Network had been consolidated, total assets and total liabilities would be increased by $4,411,558 and $1,132,317, respectively, and $4,589,014 and $1,088,613, respectively, as of September 30, 2014 and 2013, respectively, and revenues and expenses would be increased by $189,331 and $396,217, respectively, and $144,654 and $343,845, respectively, for the years then ended, respectively. The change in net assets would have decreased by $206,886 and $199,191 for the years ended September 30, 2014 and 2013, respectively.

As more fully described in Note 11 to the financial statements, the Organization received a Community Development Block Grant ("CDBG" or the "Grant") from the City of Portland to be used for building improvements. As a condition of the Grant, the Organization signed an interest-free, forgivable promissory note which is secured by the building at 189 Park Avenue in Portland that would be due and payable only if the Organization transfers the real estate without the consent of the City within 10 years of the date of the promissory note. The Organization takes the position that the likelihood of such a transfer is contingent and remote given its plans to continue to occupy the building and make substantial renovations needed to continue its program activities which have been conducted in the building for over one hundred years. Therefore, Management is of the view that the funds would be misrepresented as a liability in the Statement of Financial Position. The Organization recorded the CDBG funds received from the City as temporarily restricted revenue in the Statement of Activities. In order for the Organization's financial statements to conform with accounting principles generally accepted in the United States of America, funds received which are evidenced by a promissory note should be deferred from revenue until the conditions of the promissory note have been met. If management of The Iris Network had deferred the recognition of revenue from these funds, net assets would decrease by $100,000 for both the years ended September 30, 2014 and 2013, and long-term liabilities would increase by $100,000 as of September 30, 2014 and 2013.

Qualified Opinions

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinions paragraph, the financial statements referred to in the first paragraph present fairly, in all material aspects, the financial position of The Iris Network as of September 30, 2014 and 2013, and its changes in net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Albin, Randall & Bennett

December 5, 2014

THE IRIS NETWORK

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2014 AND 2013

ASSETS	2014	2013
CURRENT ASSETS:		
Cash and cash equivalents (Note 1 & 2)	$ 109,818	74,819
Accounts receivable, net of allowance for doubtful accounts of $2,923 and $5,000 at September 30, 2014 and 2013, respectively (Note 1)	85,226	78,246
Pledges receivable, net of allowance for doubtful accounts of $0 and $4,000 at September 30, 2014 and 2013, respectively (Note 1 & 3)	27,580	80,413
Inventory (Note 1)	31,434	29,718
Prepaid expenses	28,232	26,161
Total current assets	282,290	289,357
PROPERTY AND EQUIPMENT: (Note 1)		
Land	31,824	31,824
Building and improvements	1,359,663	1,359,663
Construction in progress	111,316	43,947
Furniture and equipment	569,606	562,488
Vehicle	18,000	18,000
	2,090,409	2,015,922
Accumulated depreciation	(1,110,614)	(1,039,723)
Net property and equipment	979,795	976,199
OTHER ASSETS:		
Restricted cash (Note 1)	301,235	-
Investments (Note 1 & 4)	417,828	734,593
Due from related party	970	885
Pledges receivable, net of current portion (Note 1 & 3)	45,109	9,363
Note receivable (Note 1 & 8)	100,000	100,000
Total other assets	865,142	844,841
	$ 2,127,227	2,110,397

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES:		
Line of credit (Note 5)	$ 120,000	50,000
Current portion of note payable (Note 6)	17,358	16,838
Accounts payable	78,796	19,273
Accrued payroll expenses	131,147	94,002
Deferred revenue (Note 1)	90,000	85,000
Total current liabilities	437,301	265,113
LONG-TERM LIABILITIES:		
Deferred compensation (Note 7)	7,050	6,233
Note payable, less current portion (Note 6)	20,933	38,295
Total long-term liabilities	27,983	44,528
NET ASSETS:		
Unrestricted (Note 1)	1,133,745	1,602,777
Temporarily restricted (Note 1 & 10)	341,280	92,101
Permanently restricted (Note 1 & 10)	186,918	105,878
Total net assets	1,661,943	1,800,756
	$ 2,127,227	2,110,397

THE IRIS NETWORK

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
OPERATING ACTIVITIES:				
Support and revenue:				
Contributions	$ 192,615	64,064	-	256,679
In-kind contributions	-	-	-	-
Government fees	1,811,760	-	-	1,811,760
Grants and foundation income	13,250	85,793	-	99,043
Event income	88,327	-	-	88,327
Adaptive equipment sales	66,999	-	-	66,999
Management fee income	33,829	-	-	33,829
Net assets released from restrictions	155,710	(155,710)	-	-
Total support and revenue	2,362,490	(5,853)	-	2,356,637
Operating expenses:				
Program services	2,171,593	-	-	2,171,593
Management and general	291,260	-	-	291,260
Fundraising	233,233	-	-	233,233
Total operating expenses	2,696,086	-	-	2,696,086
Decrease in net assets from operating activities	(333,596)	(5,853)	-	(339,449)
NON-OPERATING ACTIVITIES:				
Bequests	29,549	-	54,040	83,589
Investment income	56,361	3,191	-	59,552
Gain on disposal of property and equipment	100	-	-	100
Net realized and unrealized investment gains	47,132	10,263	-	57,395
Net assets released from restrictions	13,454	(13,454)	-	-
Total non-operating revenue	146,596	-	54,040	200,636
Total (decrease) increase in net assets	(187,000)	(5,853)	54,040	(138,813)
NET ASSETS AT BEGINNING OF YEAR	1,602,777	92,101	105,878	1,800,756
Reclassification of net assets	(282,032)	255,032	27,000	-
Net assets at end of year	$ 1,133,745	341,280	186,918	1,661,943

See accompanying notes to financial statements.

2013			
Unrestricted	Temporarily restricted	Permanently restricted	Total
233,452	-	-	233,452
9,726	-	-	9,726
1,718,964	-	-	1,718,964
8,600	142,306	-	150,906
104,968	-	-	104,968
56,627	-	-	56,627
84,425	-	-	84,425
50,486	(50,486)	-	-
2,267,248	91,820	-	2,359,068
2,054,756	-	-	2,054,756
193,731	-	-	193,731
302,807	-	-	302,807
2,551,294	-	-	2,551,294
(284,046)	91,820	-	(192,226)
73,372	-	11,923	85,295
53,949	1,693	-	55,642
1,217	-	-	1,217
51,854	7,367	-	59,221
9,060	(9,060)	-	-
189,452	-	11,923	201,375
(94,594)	91,820	11,923	9,149
1,697,371	281	93,955	1,791,607
-	-	-	-
1,602,777	92,101	105,878	1,800,756

THE IRIS NETWORK

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

		2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:	$	(138,813)	9,149
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:			
Depreciation and amortization		70,891	73,320
Net realized and unrealized investment gain		(57,395)	(59,221)
(Decrease) increase in allowance for doubtful accounts receivable		(2,077)	2,500
Decrease in allowance for doubtful pledges receivable		(4,000)	(14,500)
Gain on disposal of property and equipment		(100)	(1,217)
Increase in deferred compensation		817	1,040
Change in operating assets and liabilities:			
Accounts receivable		(4,903)	86,350
Pledges receivable		21,087	2,224
Inventory		(1,716)	(21,196)
Prepaid expenses		(2,071)	4,047
Due from related party		(85)	(85)
Accounts payable		59,523	(5,464)
Accrued payroll expenses		37,145	(6,548)
Deferred revenue		5,000	85,000
Net cash (used) provided by operating activities		(16,697)	155,399
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment		(74,487)	(22,140)
Proceeds from sale of property and equipment		100	4,600
Purchases of investments		(317,617)	(305,136)
Proceeds from sale of investments		691,777	320,039
Net cash provided (used) by investing activities		299,773	(2,637)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net borrowings (repayments) on line of credit		70,000	(100,000)
Principal payments on note payable		(16,842)	(16,335)
Restricted cash		(301,235)	-
Net cash used by financing activities		(248,077)	(116,335)
Net change in cash and cash equivalents		34,999	36,427
Cash and cash equivalents at beginning of year		74,819	38,392
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	109,818	74,819

See accompanying notes to financial statements.

THE IRIS NETWORK

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2014

	Program Services	Management and General	Fundraising	Totals
Salaries and wages	$ 1,494,242	167,326	130,765	1,792,333
Payroll taxes	136,894	13,833	12,064	162,791
Employee benefits	143,280	13,199	17,992	174,471
Total personnel	1,774,416	194,358	160,821	2,129,595
Professional fees	21,143	35,006	8,544	64,693
Equipment purchases	68,408	1,387	3,923	73,718
Supplies	5,721	2,968	890	9,579
Telephone	17,378	3,253	609	21,240
Postage and shipping	8,156	281	18,848	27,285
Occupancy	48,139	10,673	10,469	69,281
Repairs and maintenance	7,785	8,109	568	16,462
Printing and publications	18,971	613	16,464	36,048
Conferences and transportation	111,771	7,149	1,195	120,115
Food	23,029	2,729	390	26,148
Interest	-	4,582	-	4,582
Miscellaneous	19,835	1,199	5,415	26,449
Depreciation and amortization	46,841	18,953	5,097	70,891
Total other expenses	397,177	96,902	72,412	566,491
Total functional expenses	$ 2,171,593	291,260	233,233	2,696,086

See accompanying notes to financial statements.

THE IRIS NETWORK

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2013

	Program Services	Management and General	Fundraising	Totals
Salaries and wages	$ 1,377,116	111,221	186,878	1,675,215
Payroll taxes	135,115	10,430	17,025	162,570
Employee benefits	144,389	8,281	22,005	174,675
Total personnel	1,656,620	129,932	225,908	2,012,460
Professional fees	20,032	3,417	11,478	34,927
Equipment purchases	44,353	720	4,314	49,387
Supplies	2,842	1,643	1,359	5,844
Telephone	18,336	3,633	920	22,889
Postage and shipping	4,524	171	3,348	8,043
Occupancy	46,469	7,390	10,734	64,593
Repairs and maintenance	10,924	6,178	1,220	18,322
Printing and publications	21,457	441	14,305	36,203
Conferences and transportation	102,869	57	335	103,261
Food	23,241	11,972	-	35,213
Interest	-	6,609	-	6,609
Miscellaneous	54,769	1,638	23,816	80,223
Depreciation and amortization	48,320	19,930	5,070	73,320
Total other expenses	398,136	63,799	76,899	538,834
Total functional expenses	$ 2,054,756	193,731	302,807	2,551,294

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the organization - The Iris Network (the Organization) is a Maine nonprofit organization. Its purpose is to provide rehabilitation, evaluation, and low vision services for people who are visually impaired or blind.

Financial statement presentation - Financial statement presentation follows accounting principles generally accepted in the United States of America (U.S. GAAP). Under U.S. GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization or by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that require net assets to be maintained permanently by the Organization.

Use of estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents - The Organization considers all short-term investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted cash - Restricted cash is comprised of matching funds required under The Establishment Project grant agreement for building renovations.

Accounts receivable - Accounts receivable consists of program service fees and grants receivable. Accounts receivable are reported at the amount management expects to collect on outstanding balances at year-end. The Organization uses the allowance method of accounting for bad debts. Amounts are charged to the allowance when considered uncollectible.

Pledges receivable - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Pledges receivable expected to be collected in more than one year are discounted at a rate of 5% based upon the expected date of collection. The Organization uses the allowance method of accounting for bad debts. Amounts are charged to the allowance when considered uncollectible.

Inventory - Inventory is stated at the lower of cost or market and consists of equipment held for re-sale through the Organization's Low-Vision Program.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and equipment - Expenditures made for property and equipment are capitalized at cost. Donated property assets are recorded at their fair market value on the date of acquisition. Depreciation is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	10-40 years
Furniture, equipment and vehicles	5-10 years

The Organization's capitalization policy is to capitalize equipment and improvements of assets that extend the asset's useful life with a cost greater than $1,500. The Organization purchases equipment through grants for clients. Equipment purchased on behalf of clients is expensed in the year that it is transferred to the client.

Investments - Investments are carried at fair value, and realized and unrealized gains and losses are allocated to unrestricted and temporarily restricted net assets based on donor stipulations as reflected in the statements of activities.

The Organization's investment policy and spending policy for permanently restricted and Board designated investments is as follows:

> The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's market value as of the preceding December 31. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to meet the objective to provide an income stream that is stable, sustainable and growing in line with inflation, while protecting the purchasing power of the endowment.
>
> To meet the objective, the investment portfolio shall aim for an investment mix of approximately 70% equity securities to 30% debt securities. The equity portion of the portfolio is to be invested in common stocks and in securities directly convertible into common stocks. No more than 20% of the equity portion of the portfolio shall be invested in a single industry and no more than one-third shall be invested in a single economic sector. No single holding shall account for more than 10% of the equity portion of the portfolio. The fixed income portion of the portfolio shall be invested in direct obligations of the U.S. Government or the obligations of corporations with an "A" rating by Moody's and/or Standard & Poor's. With the exception of the U.S. Government, no issue shall represent more than 5% of the fixed income of the portfolio. No fixed income securities shall have maturities greater than 10 years at the time of acquisition.

Note receivable - Note receivable consists of amounts due from Iris Park Apartments, LP of which the Organization's wholly-owned separate limited liability company, Iris Properties, LLC, has a 0.1% interest. Note receivable is recorded at net realizable value consisting of the carrying amount. Interest income on the note is not recognized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Note receivable, continued - The Organization uses the allowance method to account for uncollectible notes receivables. The allowance is increased by charges to expense and decreased by chargeoffs, net of recoveries. The Organization's periodic evaluation of the allowance is made based on factors such as the extent to which the receivable is in default and the credit quality of the receivable. For purposes of the allowance calculation, the Organization groups all notes receivable into one portfolio segment. The portfolio segment is exposed to the risk of deteriorating economic climate and its impact on the Organization's collection of outstanding balances and industry-specific risks related to each borrower. Notes receivable are charged off when all available means of collection have been exhausted. For the years ended September 30, 2014 and 2013, the Organization had no activity and no ending balance in the allowance for credit losses related to notes receivable.

The Organization determines receivable impairment when, based on current information and events, it is probable the Organization will be unable to collect all amounts due according to the contractual terms. Factors considered in determining whether a receivable is impaired include whether the amounts are past due and the borrower's financial status and solvency. The Organization determined no loans were impaired for the years ended September 30, 2014 and 2013.

In assessing and monitoring the credit quality of notes receivable on an annual basis, the Organization uses an internal rating system to assess and monitor its note receivable portfolio that categorizes receivables by performing and non-performing status based on each borrower's payment history. The note receivable has been classified as performing for the years ended September 30, 2014 and 2013.

Deferred revenue - The Organization entered into a contract to provide services on a reimbursement basis. Payments received prior to providing the services are recorded as deferred revenue.

In-kind contributions - In-kind contributions represent donated inventory and have been recorded at fair market value on the date received.

Government fee for service agreements - Approximately 73% and 70% of the Organization's total support and revenue was received under various fees for service agreements with the State of Maine for the years ended September 30, 2014 and 2013, respectively.

Functional expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Other revenue and expense - The Organization reports the results of its activities in two categories, support and revenue and other revenue and expense. Other revenue and expense includes investment income, gains and losses of the donor-restricted and board-designated endowment funds, and bequests received. Support and revenue consist of the normal operations of the Organization.

Income tax - The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Organization does not believe they are subject to unrelated business income tax during the current year or previous years; therefore, have not filed unrelated business income tax returns. The Organization is no longer subject to examination by tax authorities related to the filing of exempt organization information returns for the fiscal years before 2011.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Subsequent events - The Organization has evaluated events, if any, that have occurred subsequent to September 30, 2014 through December 5, 2014, the date the financial statements were available to be issued, and included information in the notes to the financial statements related to any identifiable events, if necessary.

2. CASH

The Organization maintains its cash accounts at People's United Bank. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000.

3. PLEDGES RECEIVABLE

Unconditional pledges receivable, net of allowance for uncollectible pledges and unamortized discount consist of the following:

Capital campaign:	2014	2013
Receivable in less than one year	$ 27,580	84,413
Receivable in one to five years	48,575	10,580
	76,155	94,993
Less allowance for doubtful pledges receivable	-	4,000
Less discounts to net present value	3,466	1,217
	72,689	89,776
Less current portion	27,580	80,413
Long-term pledges receivable, net of current portion	$ 45,109	9,363

Conditional pledges to give totaled $7,500 at September 30, 2014, and is comprised of one pledge, conditional upon the sale of a house. Since this represents a conditional pledge, it is not recorded as contribution revenue until donor conditions have been met.

4. INVESTMENTS AND APPRECIATION OF ENDOWMENT INVESTMENTS

Investments are comprised of the following:

	2014	2013
Cash and cash equivalents	$ 24,149	45,442
Common stocks	282,322	398,734
U.S. Treasury obligations and corporate bonds	104,307	139,741
Maine Community Foundation - Primary Pool	-	144,443
	410,778	728,360
Equities (deferred compensation fund)	7,050	6,233
	$ 417,828	734,593

4. INVESTMENTS AND APPRECIATION OF ENDOWMENT INVESTMENTS, CONTINUED

The Board of Directors of the Organization has interpreted the State of Maine Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization 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 the Organization and donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Organization; and the investment policies of the Organization.

Endowment net asset composition by type of fund is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
September 30, 2014				
Donor-restricted endowment funds	$ -	-	186,918	186,918
Board-designated endowment funds	223,859	-	-	223,859
	$ 223,859	-	186,918	410,777

	Unrestricted	Temporarily restricted	Permanently restricted	Total
September 30, 2013				
Donor-restricted endowment funds	$ -	-	105,878	105,878
Board-designated endowment funds	622,482	-	-	622,482
	$ 622,482	-	105,878	728,360

4. INVESTMENTS AND APPRECIATION OF ENDOWMENT INVESTMENTS, CONTINUED

Changes in endowment net assets for the year ended September 30, 2014 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 622,482	-	105,878	728,360
Investment return:				
Investment income	11,417	3,191	-	14,608
Net appreciation	47,132	10,263	-	57,395
Total investment return	58,549	13,454	-	72,003
Contributions	-	-	81,040	81,040
Appropriation of endowment assets for expenditure	(457,172)	(13,454)	-	(470,626)
Change in endowment net assets	(398,623)	-	81,040	(317,583)
Endowment net assets, end of year	$ 223,859	-	186,918	410,777

Changes in endowment net assets for the year ended September 30, 2013 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 591,127	-	93,955	685,082
Investment return:				
Investment income	8,356	1,693	-	10,049
Net appreciation	51,854	7,367	-	59,221
Total investment return	60,210	9,060	-	69,270
Contributions	-	-	11,923	11,923
Appropriation of endowment assets for expenditure	(28,855)	(9,060)	-	(37,915)
Change in endowment net assets	31,355	-	11,923	43,278
Endowment net assets, end of year	$ 622,482	-	105,878	728,360

	2014	2013
Permanently restricted net assets - The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 186,918	105,878

4. INVESTMENTS AND APPRECIATION OF ENDOWMENT INVESTMENTS, CONTINUED

Fair value is defined as the price at which an asset could be exchanged or a liability transferred (an exit price) in an orderly transaction between knowledgeable, willing parties in the principal or most advantageous market for the asset or liability. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied.

Financial assets recorded at fair value in the accompanying financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by U.S. GAAP, and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets at the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Inputs are other than quoted prices included in Level 1, which are either directly or indirectly observable for the asset or liability through correlation with market data at the reporting date and for the duration of the instrument's anticipated life.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and which reflect management's best estimate of what market participants would use in pricing the asset or liability at the reporting date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

For the years ended September 30, 2014 and 2013, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Fair values of assets measured on a recurring basis are summarized below:

		Fair value measurements at report date using:		
Investments:	Totals	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
September 30, 2014	$ 417,828	417,828	-	-
September 30, 2013	$ 734,593	590,150	144,443	-

The Organization invested in the Maine Community Foundation Primary Pool which consisted of various individual investments. The Organization classified the total fair value of the investment in this pool as Level 2. The Organization liquidated the investment in this pool in February 2014

5. LINE OF CREDIT

The Organization maintains a $250,000 line of credit with a bank, which expires April 30, 2015 and is secured by all business assets, with a carrying value of $2,127,227 at September 30, 2014. Interest is payable monthly at 1.00% above the *Wall Street Journal* prime rate, 4.25% at September 30, 2014. The outstanding balance totaled $120,000 and $50,000 at September 30, 2014 and 2013, respectively,

6. NOTE PAYABLE

	2014	2013
Mortgage note payable to Maine Bank and Trust due in monthly installments of $1,523, including interest at the *Wall Street Journal* prime rate minus 0.25% (3.0% at September 30, 2014), through December 2016. Secured by real estate with a carrying value of $762,076 at September 30, 2014.	$ 38,291	55,133
Less current portion	17,358	16,838
Net long-term debt	$ 20,933	38,295

Future maturities of long-term debt for the years ending September 30 are as follows:

2015	$ 17,358
2016	17,900
2017	3,033
	$ 38,291

7. DEFERRED COMPENSATION

Effective July 31, 2002, the Organization adopted a non-qualified deferred compensation plan under Section 457 of the Internal Revenue Code for selected employees. The Plan does not have a provision for a discretionary contribution by the Organization. The Plan calls for immediate vesting. Deferred compensation costs of $7,050 and $6,233 have been accrued at September 30, 2014 and 2013, respectively. This amount has been funded in a separate investment account established to hold all such invested amounts.

8. RELATED PARTY TRANSACTIONS

The Organization has a wholly-owned separate limited liability company, Iris Properties, LLC. In addition, Iris Properties, LLC has a 0.1% interest in Iris Park Apartments, LP.

The Organization has a note receivable from Iris Park Apartments, LP with no stated interest and is payable in full on June 13, 2035. The note receivable balance at September 30, 2014 and 2013 was $100,000.

The Iris Network charged Iris Park Apartments, LP $24,098 and $23,929 for maintenance and janitorial services for the years ended September 30, 2014 and 2013, respectively.

8. RELATED PARTY TRANSACTIONS, CONTINUED

During the fifteen months ended September 30, 2011 The Iris Network and Iris Park Apartments, LP reached an agreement for The Iris Network to forgive the $272,607 receivable net of a related allowance which resulted in bad debt expense from related parties of $149,607. As part of this agreement Iris Park Apartments, LP will pay fees to the Iris Network in amounts not to exceed $23,333 in the calendar years ended December 31, 2011, 2012, and 2013. Iris Park Apartments, LP will also pay the Iris Network with surplus cash flows generated from the rental of the apartments. This will be reported as management fee income for the Assisted Living Program of the Iris Network. Income of $33,829 and $84,425 related to this agreement has been recognized in the statements of activities for the years ended September 30, 2014 and 2013, respectively.

9 RETIREMENT PLAN

The Organization has established a contributory 403(b) Retirement Plan (the Plan) covering eligible employees. The Organization contributes 2% of compensation after employees have completed one year and a minimum of 1,000 hours of work and a 2% matching contribution on 50% of the employee contribution. The Organization's contribution to the plan during the years ended September 30, 2014 and 2013 was $38,944 and $49,170, respectively. As of July 2014, the Organization suspended contributions to the Plan.

10. NET ASSETS

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support the following:

	2014	2013
General operations	$ 136,918	55,878
General operations at the Rockland location	50,000	50,000
Total permanently restricted net assets	$ 186,918	105,878

Temporarily restricted net assets are restricted for the following purposes:

	2014	2013
Building renovations	$ 320,425	77,498
Rehabilitation	20,268	14,603
Recreation	587	-
Total temporarily restricted net assets	$ 341,280	92,101

10. NET ASSETS, CONTINUED

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Net asset released are as follows:

	2014	2013
Balancing Act Grant	$ 51,293	-
Building renovation	67,369	17,102
General operations	13,454	9,060
Low-vision clinic	8,500	1,781
Recreation	713	-
Rehabilitation	9,335	6,372
Special events	6,500	231
Technology	12,000	25,000
Total	$ 169,164	59,546

Reclassification of permanently restricted net assets of $27,000 represent bequests received with donor restrictions to maintain permanently for general operations. Reclassification of temporarily restricted net assets of $255,032 represents internal funds used to meet the matching requirements under The Establishment Project grant agreement for building renovations.

11. DEPARTURE FROM U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Organization has a wholly-owned limited liability company, Iris Properties, LLC. In addition, Iris Properties, LLC has a 0.1% interest in Iris Park Apartments, LP, and per the partnership agreement, has control of Iris Park Apartments, LP. The Organization has reported the investment in Iris Properties, LLC and Iris Park Apartments, LP at cost. U.S. GAAP requires the subsidiaries to be consolidated into the financial statements of the Organization. If the financial statements of The Iris Network had been consolidated, total assets and total liabilities would have been increased by $4,411,558 and $1,132,317, respectively, and $4,589,014 and $1,088,613, respectively, as of September 30, 2014 and 2013, respectively. Revenues and expenses would be increased by $189,331 and $396,217, respectively, and $144,654 and $343,845, respectively, for the years then ended, respectively. The change in net assets would have decreased by $206,886 and $199,191 for the years ended September 30, 2014 and 2013, respectively.

During the fifteen month period ended September 30, 2011, the Organization received a Community Development Block Grant ("CDBG" or the "Grant") from the City of Portland to be used for building improvements. As a condition of the Grant, the Organization signed a forgivable promissory note which is secured by the building at 189 Park Avenue in Portland. The promissory note is interest free and is to be forgiven after ten years if the Organization does not transfer ownership of the building without the consent of the City under the terms of the note. The Organization takes the position that the likelihood of such a transfer is contingent and remote given its plans to continue to occupy the building and make substantial renovations needed to continue its program activities which have been conducted in the building for over one hundred years. U.S. GAAP generally requires funds received which are evidenced by a promissory note to be deferred from revenue and recognized as a liability until the conditions of the promissory note have been met. Management of the Organization has concluded that the possibility of defaulting on the note is remote and the repayment obligation is contingent.

11. DEPARTURE FROM U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, CONTINUED

Therefore, Management is of the view that the funds would be misrepresented as a liability in the statement of financial position. If the Organization had deferred the recognition of revenue from the loan, net assets would decrease by $100,000 and long-term liabilities would increase by $100,000 for both the years ended September 30, 2014 and 2013.

12. RISKS AND UNCERTAINTIES

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

13. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2014	2013
Cash paid for interest	$ 4,582	6,609