

**Evanston Community  
Foundation**

**Financial Statements  
and  
Independent Auditor's Report  
For the Years Ended  
December 31, 2013 and 2012**

**Wolf & Company LLP**  
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Evanston Community Foundation  
Evanston, Illinois

We have audited the accompanying financial statements of EVANSTON COMMUNITY FOUNDATION (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, 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 Evanston Community Foundation as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Wolf & Company LLP*

Oakbrook Terrace, Illinois  
September 3, 2014

EVANSTON COMMUNITY FOUNDATION  
STATEMENTS OF FINANCIAL POSITION

|  | December 31              |                          |
|--|--------------------------|--------------------------|
|  | <u>2013</u>              | <u>2012</u>              |
| <b>ASSETS</b>                            |                          |                          |
| Cash and cash equivalents                | \$ 547,477               | \$ 1,061,421             |
| Accounts receivable                      |                          |                          |
| Pledges receivable                       | 1,454                    | 32,842                   |
| Investment income receivable             | 16,690                   | 8,692                    |
| Other receivables                        | 22,302                   | 13,967                   |
| Investments, at fair value               | 18,650,613               | 15,952,053               |
| Prepaid expenses                         | 11,350                   | 6,879                    |
| Other assets                             | 10,260                   | 4,381                    |
| Office furniture and equipment, net      | <u>60,165</u>            | <u>57,986</u>            |
| <br>Total assets                         | <br><u>\$ 19,320,311</u> | <br><u>\$ 17,138,221</u> |
| <br><b>LIABILITIES AND NET ASSETS</b>    |                          |                          |
| <b>LIABILITIES</b>                       |                          |                          |
| Accounts payable and accrued liabilities | \$ 62,905                | \$ 64,764                |
| Deferred revenue                         | 74,611                   | 17,493                   |
| Grants payable                           | 45,800                   | 34,595                   |
| Charitable gift annuities payable        | 16,391                   | 18,391                   |
| Funds held as agency endowments          | <u>2,747,149</u>         | <u>2,236,893</u>         |
| <br>Total liabilities                    | <br><u>2,946,856</u>     | <br><u>2,372,136</u>     |
| <br><b>NET ASSETS</b>                    |                          |                          |
| Unrestricted                             | 6,593,913                | 5,941,046                |
| Temporarily restricted                   | 9,750,350                | 8,795,847                |
| Permanently restricted                   | <u>29,192</u>            | <u>29,192</u>            |
| <br>Total net assets                     | <br><u>16,373,455</u>    | <br><u>14,766,085</u>    |
| <br>Total liabilities and net assets     | <br><u>\$ 19,320,311</u> | <br><u>\$ 17,138,221</u> |

See accompanying notes to the financial statements.

EVANSTON COMMUNITY FOUNDATION  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

|  | For the Year Ended December 31, 2013 |                        |                        |                     | For the Year Ended December 31, 2012 |                        |                        |                     |
|--|--------------------------------------|------------------------|------------------------|---------------------|--------------------------------------|------------------------|------------------------|---------------------|
|  | Unrestricted                         | Temporarily Restricted | Permanently Restricted | Total               | Unrestricted                         | Temporarily Restricted | Permanently Restricted | Total               |
| <b>REVENUES</b>  |                                      |                        |                        |                     |                                      |                        |                        |                     |
| Support revenue  |                                      |                        |                        |                     |                                      |                        |                        |                     |
| Board-designated endowment and field of interest contributions | \$ 49,021                            | \$ 147,453             | \$ -                   | \$ 196,474          | \$ 142,690                           | \$ 55,113              | \$ -                   | \$ 197,803          |
| Operating contributions  | 750,492                              | 3,443                  | -                      | 753,935             | 675,734                              | 23,887                 | -                      | 699,621             |
| Other fund contributions                                       | 85,484                               | 972,402                | -                      | 1,057,886           | 349,855                              | 803,522                | -                      | 1,153,377           |
|  | <u>884,997</u>                       | <u>1,123,298</u>       | <u>-</u>               | <u>2,008,295</u>    | <u>1,168,279</u>                     | <u>882,522</u>         | <u>-</u>               | <u>2,050,801</u>    |
| Program revenue  |                                      |                        |                        |                     |                                      |                        |                        |                     |
| Tuition and fees plus event revenue - net                      | 94,583                               | -                      | -                      | 94,583              | 98,073                               | -                      | -                      | 98,073              |
| Investment income (loss)                                       |                                      |                        |                        |                     |                                      |                        |                        |                     |
| Interest and dividends   | 317,748                              | 355,612                | -                      | 673,360             | 249,758                              | 280,092                | -                      | 529,850             |
| Realized gains (losses) on investments, net                    | 37,029                               | 41,441                 | -                      | 78,470              | (23,553)                             | (26,678)               | -                      | (50,231)            |
| Unrealized gains on investments, net                           | 747,295                              | 836,347                | -                      | 1,583,642           | 731,298                              | 592,706                | -                      | 1,324,004           |
| Funds held as agency endowments                                | (283,125)                            | -                      | -                      | (283,125)           | (199,513)                            | -                      | -                      | (199,513)           |
|  | <u>818,947</u>                       | <u>1,233,400</u>       | <u>-</u>               | <u>2,052,347</u>    | <u>757,990</u>                       | <u>846,120</u>         | <u>-</u>               | <u>1,604,110</u>    |
| Net assets released from restrictions                          | 1,402,195                            | (1,402,195)            | -                      | -                   | 1,102,677                            | (1,102,677)            | -                      | -                   |
| Total revenues   | <u>3,200,722</u>                     | <u>954,503</u>         | <u>-</u>               | <u>4,155,225</u>    | <u>3,127,019</u>                     | <u>625,965</u>         | <u>-</u>               | <u>3,752,984</u>    |
| <b>EXPENSES</b>  |                                      |                        |                        |                     |                                      |                        |                        |                     |
| Program services   | 2,198,519                            | -                      | -                      | 2,198,519           | 2,056,050                            | -                      | -                      | 2,056,050           |
| Supporting services  |                                      |                        |                        |                     |                                      |                        |                        |                     |
| Management and general   | 195,725                              | -                      | -                      | 195,725             | 149,406                              | -                      | -                      | 149,406             |
| Fund raising   | 153,611                              | -                      | -                      | 153,611             | 127,647                              | -                      | -                      | 127,647             |
|  | <u>349,336</u>                       | <u>-</u>               | <u>-</u>               | <u>349,336</u>      | <u>277,053</u>                       | <u>-</u>               | <u>-</u>               | <u>277,053</u>      |
| Total expenses   | <u>2,547,855</u>                     | <u>-</u>               | <u>-</u>               | <u>2,547,855</u>    | <u>2,333,103</u>                     | <u>-</u>               | <u>-</u>               | <u>2,333,103</u>    |
| INCREASE IN NET ASSETS   | 652,867                              | 954,503                | -                      | 1,607,370           | 793,916                              | 625,965                | -                      | 1,419,881           |
| Net assets, beginning of year                                  | 5,941,046                            | 8,795,847              | 29,192                 | 14,766,085          | 5,147,130                            | 8,169,882              | 29,192                 | 13,346,204          |
| NET ASSETS, END OF YEAR  | <u>\$ 6,593,913</u>                  | <u>\$ 9,750,350</u>    | <u>\$ 29,192</u>       | <u>\$16,373,455</u> | <u>\$ 5,941,046</u>                  | <u>\$ 8,795,847</u>    | <u>\$ 29,192</u>       | <u>\$14,766,085</u> |

See accompanying notes to the financial statements.

EVANSTON COMMUNITY FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2013

|   | Program<br>Services | Supporting Services          |                 |            | Total        |
|---|---------------------|------------------------------|-----------------|------------|--------------|
|   |                     | Management<br>and<br>General | Fund<br>Raising | Total      |              |
| Personnel                                 |                     |                              |                 |            |              |
| Salaries                                  | \$ 336,921          | \$ 76,912                    | \$ 52,065       | \$ 128,977 | \$ 465,898   |
| Payroll taxes and benefits                | 91,372              | 28,496                       | 13,153          | 41,649     | 133,021      |
| Staff and board expenses                  | 6,954               | 3,487                        | 2,639           | 6,126      | 13,080       |
| Total personnel                           | 435,247             | 108,895                      | 67,857          | 176,752    | 611,999      |
| Annual report and newsletters             | 35,091              | -                            | 8,272           | 8,272      | 43,363       |
| Class and meeting expense                 | 22,579              | -                            | -               | -          | 22,579       |
| Communications                            | 20,077              | 1,605                        | 37,256          | 38,861     | 58,938       |
| Dues and subscriptions                    | 6,525               | 2,164                        | 4,593           | 6,757      | 13,282       |
| Office expenses and supplies              | 8,225               | 15,061                       | 11,536          | 26,597     | 34,822       |
| Postage                                   | 975                 | 4,052                        | 12,823          | 16,875     | 17,850       |
| Printing                                  | 3,032               | 10,322                       | -               | 10,322     | 13,354       |
| Professional fees                         | 108,198             | 37,230                       | 5,007           | 42,237     | 150,435      |
| Occupancy expenses                        | 34,363              | 7,996                        | 6,267           | 14,263     | 48,626       |
| Depreciation                              | 8,400               | 8,400                        | -               | 8,400      | 16,800       |
| Total operating expenses                  | 682,712             | 195,725                      | 153,611         | 349,336    | 1,032,048    |
| Donor advised grants                      | 106,830             | -                            | -               | -          | 106,830      |
| Foundation grants awarded                 | 586,149             | -                            | -               | -          | 586,149      |
| Fiscal sponsorship grants<br>and expenses | 822,828             | -                            | -               | -          | 822,828      |
| Total grants and related<br>expenses      | 1,515,807           | -                            | -               | -          | 1,515,807    |
| Total functional expenses                 | \$ 2,198,519        | \$ 195,725                   | \$ 153,611      | \$ 349,336 | \$ 2,547,855 |

See accompanying notes to the financial statements.

EVANSTON COMMUNITY FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2012

|   | Program<br>Services | Supporting Services          |                 |            | Total        |
|---|---------------------|------------------------------|-----------------|------------|--------------|
|   |                     | Management<br>and<br>General | Fund<br>Raising | Total      |              |
| Personnel                                 |                     |                              |                 |            |              |
| Salaries                                  | \$ 327,067          | \$ 67,423                    | \$ 56,272       | \$ 123,695 | \$ 450,762   |
| Payroll taxes and benefits                | 90,129              | 23,682                       | 16,027          | 39,709     | 129,838      |
| Staff and board expenses                  | 5,370               | 2,137                        | 1,657           | 3,794      | 9,164        |
| Total personnel                           | 422,566             | 93,242                       | 73,956          | 167,198    | 589,764      |
| Annual report and newsletters             | 34,034              | -                            | 7,296           | 7,296      | 41,330       |
| Class and meeting expense                 | 19,886              | -                            | -               | -          | 19,886       |
| Communications                            | 12,572              | 2,049                        | 25,008          | 27,057     | 39,629       |
| Dues and subscriptions                    | 3,182               | 2,735                        | 582             | 3,317      | 6,499        |
| Office expenses and supplies              | 6,981               | 13,790                       | 3,921           | 17,711     | 24,692       |
| Postage                                   | 410                 | 4,547                        | 9,998           | 14,545     | 14,955       |
| Printing                                  | 2,604               | 3,943                        | -               | 3,943      | 6,547        |
| Professional fees                         | 112,695             | 19,468                       | 1,177           | 20,645     | 133,340      |
| Occupancy expenses                        | 32,377              | 5,836                        | 5,709           | 11,545     | 43,922       |
| Depreciation                              | 3,795               | 3,796                        | -               | 3,796      | 7,591        |
| Total operating expenses                  | 651,102             | 149,406                      | 127,647         | 277,053    | 928,155      |
| Donor advised grants                      | 145,436             | -                            | -               | -          | 145,436      |
| Foundation grants awarded                 | 577,449             | -                            | -               | -          | 577,449      |
| Fiscal sponsorship grants<br>and expenses | 682,063             | -                            | -               | -          | 682,063      |
| Total grants and related<br>expenses      | 1,404,948           | -                            | -               | -          | 1,404,948    |
| Total functional expenses                 | \$ 2,056,050        | \$ 149,406                   | \$ 127,647      | \$ 277,053 | \$ 2,333,103 |

See accompanying notes to the financial statements.

EVANSTON COMMUNITY FOUNDATION  
STATEMENTS OF CASH FLOWS

|   | For the Years Ended<br>December 31, |                     |
|---|-------------------------------------|---------------------|
|   | <u>2013</u>                         | <u>2012</u>         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                     |                     |
| Increase in net assets  | \$ 1,607,370                        | \$ 1,419,881        |
| Adjustments to reconcile increase in net assets<br>to net cash provided by operating activities |                                     |                     |
| Net investment gains  | (1,662,112)                         | (1,273,773)         |
| Depreciation  | 16,800                              | 7,591               |
| Stock gifts donated to investment account   | (101,283)                           | (326,782)           |
| (Increase) decrease in:   |                                     |                     |
| Pledges receivable  | 31,388                              | (6,891)             |
| Contributions receivable  | -                                   | 28,071              |
| Investment income receivable  | (7,998)                             | (6)                 |
| Other receivables   | (8,335)                             | 8,110               |
| Prepaid expenses and other  | (10,350)                            | 2,208               |
| Increase (decrease) in:   |                                     |                     |
| Accounts payable and accrued expenses   | (1,859)                             | 12,186              |
| Deferred revenue  | 57,118                              | 2,373               |
| Grants payable  | 11,205                              | 8,320               |
| Agency funds  | 510,256                             | 538,327             |
| Charitable gift annuities payable   | <u>(2,000)</u>                      | <u>(2,000)</u>      |
| Net cash provided by operating activities   | <u>440,200</u>                      | <u>417,615</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                     |                     |
| Purchase of property and equipment  | (18,979)                            | (45,025)            |
| Sale of investments   | 1,040,031                           | 1,032,473           |
| Purchase of investments   | <u>(1,975,196)</u>                  | <u>(1,655,586)</u>  |
| Net cash used in investing activities   | <u>(954,144)</u>                    | <u>(668,138)</u>    |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>  | (513,944)                           | (250,523)           |
| Cash and cash equivalents   |                                     |                     |
| Beginning of year   | <u>1,061,421</u>                    | <u>1,311,944</u>    |
| End of year   | <u>\$ 547,477</u>                   | <u>\$ 1,061,421</u> |

See accompanying notes to the financial statements.

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 – ORGANIZATION ACTIVITIES**

Evanston Community Foundation, Inc. (the “Foundation”) is an Illinois not-for-profit organization. The Foundation’s mission is to help Evanston thrive now and forever as a vibrant, inclusive and just community by building, connecting and distributing resources and knowledge through local organizations for the public good.

The Foundation –

- Builds endowments for current and future opportunities
- Fosters private philanthropy
- Focuses the impact of collective giving
- Allocates grants
- Provides community leadership training

The Foundation strengthens the community’s nonprofit organizations and serves its donors through innovative grantmaking and partnerships with other philanthropic organizations and individuals. The Foundation evaluates the effectiveness of its grantmaking through periodic interactions with grantees.

Communityworks is currently the Foundation’s most prominent strategic initiative. The Communityworks impact plan, “Every Child Ready for Kindergarten, Every Youth Ready for Work” was approved by the Board in 2006 and launched in 2007. More than \$225,000 in grants and program services were provided through this initiative in each of 2013 and 2012. In 2013, the Foundation in partnership with Northwestern University launched a new Two Generation initiative funded by a grant from the Aspen Institute. This initiative complements the Communityworks programs, connecting parents of young children in high-quality early childhood education to improved educational and career options. The Two Generation pilot program has been extended through June 30, 2015, with funding provided by Foundation donors.

In 2012, the Foundation approved twenty-five special 25<sup>th</sup> anniversary awards of \$1,000 each to recognize important work accomplished by Evanston nonprofit organizations with Foundation funding. As another anniversary initiative, in 2013 the Foundation approved four of the five available challenge grants of \$5,000 each to stimulate the establishment of organizational endowment funds. Ongoing programs and activities include responsive grants, Leadership Evanston, *root2fruit* capacity-building grants, and workshops to increase the effectiveness of the community’s nonprofits. Other activities include consultation with donors and nonprofits. Through the intersection of these activities, the Foundation fosters collaborative community leadership and encourages local charitable giving.

The Foundation’s primary funding sources are contributions, grants, and investment earnings.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

**BASIS OF PRESENTATION**

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

FUND ACCOUNTING

For internal purposes and in order to comply with restrictions donors place on contributions or designations made by the Board, the principles of fund accounting are used. The Foundation has established separate funds for significant contributions intended for specific use, either as directed by the donor or as determined by the Foundation's Board of Directors ("the Board"). At the inception of a fund, the Foundation and the donor execute an agreement defining the spending policy and providing for the allocation of investment returns and accounting and investment expenses. In addition, fund agreements provide for the Foundation to assess an annual fee for fund services and administration.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NET ASSET CLASSIFICATIONS

Net assets are classified according to the Foundation's governing documents and, depending on the specific terms of fund agreements with the donor, may be recorded as permanently restricted, temporarily restricted or unrestricted.

*Unrestricted net assets* are those assets that are not subject to donor-imposed stipulations plus those resources for which temporary, donor-imposed stipulations have been satisfied. Unrestricted net assets may also be designated for specific purposes by action of the Board.

Donor Advised Funds are established by the Board with contributions received from individual donors and are governed by agreements that allow the donors to recommend distributions to designated 501(c)(3) charitable organizations. Although donors retain the right to request distributions to specified organizations or organizations to be named in the future, the Board is not obligated to comply with the donor distribution request and therefore these funds are also considered unrestricted.

*Temporarily restricted net assets* are those assets subject to donor-imposed stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

*Permanently restricted net assets* include gifts and bequests which donors have specified must be maintained in perpetuity. Donors may specify that the related income may increase the corpus, be expended for such purpose as specified by the donor, or if none specified, then for general purposes as directed by the Foundation's management and Board of Directors.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in banks and money market funds.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

RECEIVABLES

Receivables consist of pledges, contributions and accrued investment income, and are reported at net realizable value, which is the amount management expects to collect from balances outstanding at year-end. Unconditional promises to give or pledges expected to be collected within one year are recorded at net realizable value at the date of receipt. To the extent there are any unconditional promises to give expected to be collected in future years, those are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates determined to be applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met. Management considers receivables to be collectible at December 31, 2013 and 2012. Accordingly, no allowance for doubtful accounts is required. Pledges receivable at December 31, 2013 and 2012 were due within one year.

INVESTMENTS AND SPENDING POLICY

The Foundation has an Investment and Spending Policy to preserve, in perpetuity, the purchasing power of its assets while providing a growing stream of income to fund grants and programs, and to support its operations (see Note 5). Investments are stated at fair market value primarily based on quoted market prices. Investment income is recorded on the accrual basis; purchases and sales of investments are reflected on a trade-date basis. Unrealized gains or losses are based on the change in market value of the assets from the beginning to the end of the fiscal year. Realized gains or losses are based on the change in market value of the assets from the date acquired to the date of sale. Investment revenues are reported net of related investment expenses in the statement of activities and changes in net assets.

The Foundation's articles of incorporation and fund agreements provide for distributions from the funds of the Foundation in accordance with the Investment and Spending Policy. The policy provides for spending a maximum of 6% and a minimum of 3.5% of the three-year moving average of the fund market value. The Board determines the percentage to be used for the spending objective as part of the budget process. The policy also provides for the Foundation to spend funds which do not affect the board-designated endowment funds, such as contributions for current grantmaking, programs or administrative expenses; income from fees and tuition; grants from donor advised funds; distributions from agency funds; charitable gift annuity payments; and other amounts determined by the Board to be allocated to the budget.

OFFICE FURNITURE AND EQUIPMENT

Office furniture and equipment are recorded at cost and depreciated over their estimated useful lives on a straight-line basis. Major renewals and betterments of \$500 or more which extend the useful life of an asset are capitalized, while routine maintenance and repairs are expensed as incurred. The estimated useful lives for determining depreciation of the various classes of assets are as follows:

|                                 |           |
|---------------------------------|-----------|
| Computers, software and website | 3 years   |
| Office equipment                | 3-5 years |
| Furniture                       | 7 years   |

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

RECOGNITION OF SUPPORT AND REVENUE

Contributions from the general public or private foundation grants are recognized as support revenue. All contributions and private grants are considered available for unrestricted use unless specifically restricted by the donor or by laws and regulations.

Contributions primarily consist of cash and securities received from donors. Securities and other assets received as contributions are recorded at fair market value at the date of gift.

Tuition, fees, and events are recognized during the period they are earned and are reflected net of scholarships of \$5,060 in 2013 and \$7,320 in 2012.

CONTRIBUTED GOODS AND SERVICES

The Foundation occasionally receives donated goods and services for its meetings and programs. In 2013 and 2012, the Foundation received and recorded in-kind donations with a value of \$1,250 and \$1,096, respectively. In addition, a substantial number of unpaid volunteers and members of the Foundation's Board of Directors make significant contributions of their time to the Foundation and its programs. The value of these services is not reflected in these financial statements since they do not meet the criteria for recognition.

GRANT EXPENSE

Grants made are recorded in the year that the funds are authorized by the Board of Directors. Funds authorized but not disbursed are reported in the statements of financial position as grants payable.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Expenses are charged directly to programs, management and general or fundraising categories based upon specific identification where possible. Other costs have been allocated to the programs and supporting services based on appropriate methods determined by management. These costs include, among others, personnel costs, communications expenses, occupancy costs, and office expenses and supplies.

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

PENDING ACCOUNTING PRONOUNCEMENT

In October 2012, the Financial Accounting Standards Board issued Accounting Standards Update No. 2012-05, *Statement of Cash Flows (Topic 230) Not for Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* (“ASU No. 2012-05”). ASU No. 2012-05 was issued to address the diversity in practice about how to classify cash receipts arising from the sale of certain donated financial assets in the statement of cash flows of not-for-profit organizations. ASU No. 2012-05 stipulates that proceeds from the sale of donated financial assets may be classified within operating activities, financing activities or investing activities with such determination depending on the intentions and actions of the Organization and/or donor imposed restrictions. ASU No. 2012-05 is effective prospectively for fiscal years beginning after June 15, 2013. The Organization intends on adopting ASU No. 2012-05 in 2014.

**NOTE 3 – TAX STATUS**

The Foundation is an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the state tax law. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Foundation has no on-going federal or state income tax audits. However, its tax returns for 2010 and subsequent years remain open to examination.

**NOTE 4 – CONCENTRATIONS**

In both 2013 and 2012, five donors provided 40% of total support revenues.

The Foundation maintains its cash in bank deposit and money market accounts which, at times, may exceed the federally insured limit. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The invested assets of the Foundation are held in a custodial account of a major financial institution that maintains private insurance in an amount exceeding the Foundation’s assets to cover any potential fiduciary loss. 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 values of investments will occur in the near term and that such changes could materially affect the Foundation and the amounts reported in the statements of financial position and activities and changes in net assets. The Foundation has a diversified investment portfolio designed to maximize investment return and minimize market risk.

**NOTE 5 – INVESTMENTS**

The Foundation’s objective is to achieve over time an annual total return that exceeds budgeted spending plus an amount equal to the increase in the Consumer Price Index during the preceding year. The current spending policy is to distribute an amount equal to 5% of a moving three year average of the Foundation’s endowed fund balances. The Foundation’s Board of Directors approves the spending policy each year, within the range of 3.5% to 6%.

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 5 – INVESTMENTS (Continued)**

The investment policy has guidelines regarding both percentage allocations to asset classes as well as to holdings within asset classes. The Foundation’s Board has adopted the following asset allocation strategy to achieve its investment objective. The 2013 and 2012 portfolios were within policy guidelines.

|              | Overall<br>Asset<br>Allocation | Intra Asset-Class Allocation |   |  |
|--------------|--------------------------------|------------------------------|---|--|
|              |                                | Domestic<br>Markets          | Foreign<br>Including<br>Emerging<br>Markets | Other<br>Categories                          |
| Equities     | 45-65%                         | min. 30%                     | max. 20%                                    |  |
| Fixed income | 15-35%                         | min. 15%                     | max. 10%                                    |  |
| Other*       | 0-20%                          |                              |   | max. of 10%<br>in any of 4<br>subcategories* |

\*Other may include investments in real estate, commodity indexes, hedge funds, or private equity.

**NOTE 6 – FAIR VALUE MEASUREMENTS**

Generally accepted accounting principles provide a uniform framework for the definition, measurement and disclosure of fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Such accounting guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. Therefore, the fair values of common stock, corporate bonds, mutual funds and U.S. government securities are based on quoted market prices, when available.

*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;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

The Foundation’s financial assets valued using Level 2 inputs are based primarily on the net asset value as reported by the investment management company, based upon the quoted market prices of the underlying fund investments.

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)**

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement. There were no Level 3 assets as of December 31, 2013 and 2012.

The assets' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at December 31, 2013 and 2012.

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 the Foundation 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.

Fair values of assets measured on a recurring basis at December 31, 2013 and 2012 are as follows:

|                           | <u>Fair Value</u>    | <u>Fair Value Measurements at Reporting Date Using</u>                            |  |
|---------------------------|----------------------|---|--|
|                           |                      | <u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> |
| December 31, 2013         |                      |   |  |
| Equity mutual funds       |                      |   |  |
| Domestic                  | \$ 9,151,479         | \$ 9,151,479  | \$ -   |
| International             | 2,686,449            | 2,686,449   | -  |
| Fixed income mutual funds |                      |   |  |
| Domestic                  | 2,562,691            | 2,562,691   | -  |
| International             | 819,737              | 819,737   | -  |
| U.S. treasury obligations | 1,188,694            | 1,188,694   | -  |
| Other                     | <u>2,241,563</u>     | <u>1,214,640</u>  | <u>1,026,923</u>                                     |
| Total                     | <u>\$ 18,650,613</u> | <u>\$ 17,623,690</u>  | <u>\$ 1,026,923</u>                                  |
| December 31, 2012         |                      |   |  |
| Equity mutual funds       |                      |   |  |
| Domestic                  | \$ 7,355,370         | \$ 7,355,370  | \$ -   |
| International             | 1,940,994            | 1,940,994   | -  |
| Fixed income mutual funds |                      |   |  |
| Domestic                  | 2,619,704            | 2,619,704   | -  |
| International             | 869,427              | 869,427   | -  |
| U.S. treasury obligations | 1,298,126            | 1,298,126   | -  |
| Other                     | <u>1,868,432</u>     | <u>1,083,580</u>  | <u>784,852</u>                                       |
| Total                     | <u>\$ 15,952,053</u> | <u>\$ 15,167,201</u>  | <u>\$ 784,852</u>                                    |

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)**

At December 31, 2013 and 2012, the Foundation has a mutual fund investment offered through an investment management company. This mutual fund is not valued with quoted market pricing from a public exchange, but is valued based upon the net asset value as reported by the investment company. The net asset value of the respective mutual fund is primarily based upon quoted market prices for the underlying securities held by the mutual fund and is classified within Level 2 of the fair value hierarchy. The mutual fund has its own investment strategy and policies as governed by the investment management company. At December 31, 2013 and 2012, the Foundation maintained an investment in a multi-asset mutual fund which seeks to achieve a return that exceeds inflation through investment in global stocks and bonds, as well as investments in commodities, REITS and other readily marketable investments.

**NOTE 7 – OFFICE FURNITURE AND EQUIPMENT**

Office furniture and equipment consists of the following at December 31, 2013 and 2012:

|                                 | <u>2013</u>      | <u>2012</u>      |
|---------------------------------|------------------|------------------|
| Computers, software and website | \$ 148,396       | \$ 130,641       |
| Office equipment                | 16,891           | 15,666           |
| Furniture                       | <u>16,368</u>    | <u>16,368</u>    |
|                                 | 181,655          | 162,675          |
| Less: accumulated depreciation  | <u>121,490</u>   | <u>104,689</u>   |
|                                 | <u>\$ 60,165</u> | <u>\$ 57,986</u> |

Depreciation expense was \$16,800 in 2013 and \$7,591 in 2012.

**NOTE 8 – FUNDS HELD AS AGENCY ENDOWMENTS**

Funds held as agency endowments represent assets of other non-profit organizations that have been conveyed to the Foundation to establish funds for the benefit of the organizations. The assets become a part of the Foundation's investment portfolio, and receive an allocation of investment returns, as well as of investment and accounting expenses. These funds are also assessed an administrative fee. The Foundation may receive contributions to these funds, and the organizations receive periodic distributions from the funds. Total contributions received were \$262,175 in 2013 and \$372,076 in 2012. Total distributions were \$37,102 in 2013 and \$22,533 in 2012.

In accordance with generally accepted accounting principles, these assets are reported in the statements of financial position as a liability entitled *Funds held as agency endowments*. Accordingly, such assets received by the Foundation are not included in the statements of activities as contributions to the Foundation.

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 9 – ENDOWMENT FUNDS**

The composition of Endowment Funds by Type of fund as of December 31, 2013 and 2012 is as follows:

|   | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|---|---------------------|---------------------------|---------------------------|----------------------|
| December 31, 2012                                   |                     |                           |                           |                      |
| Board-designated endowments                         | \$ 4,666,463        | \$ -                      | \$ -                      | \$ 4,666,463         |
| Board-directed field of interest<br>endowment funds | -                   | 7,634,344                 | -                         | 7,634,344            |
| Donor-designated endowment funds                    | -                   | 822,526                   | 29,192                    | 851,718              |
|   | <u>\$ 4,666,463</u> | <u>\$ 8,456,870</u>       | <u>\$ 29,192</u>          | <u>\$ 13,152,525</u> |
| December 31, 2013                                   |                     |                           |                           |                      |
| Board-designated endowments                         | \$ 5,123,815        | \$ -                      | \$ -                      | \$ 5,123,815         |
| Board-directed field of interest<br>endowment funds | -                   | 8,412,849                 | -                         | 8,412,849            |
| Donor-designated endowment funds                    | -                   | 941,388                   | 29,192                    | 970,580              |
|   | <u>\$ 5,123,815</u> | <u>\$ 9,354,237</u>       | <u>\$ 29,192</u>          | <u>\$ 14,507,244</u> |

Changes in Endowment Net Assets for the years ended December 31, 2013 and 2012 are as follows:

|                                   | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|-----------------------------------|---------------------|---------------------------|---------------------------|----------------------|
| December 31, 2011                 |                     |                           |                           |                      |
| Contributions                     | 145,620             | 143,765                   | -                         | 289,385              |
| Transfers*                        | 5,351               | -                         | (3,668)                   | 1,683                |
| Interest and dividends*           | 162,661             | 275,433                   | 1,070                     | 439,164              |
| Net realized losses*              | (14,667)            | (26,333)                  | (104)                     | (41,104)             |
| Net unrealized gains*             | 370,120             | 698,036                   | 2,702                     | 1,070,858            |
| Amounts released for expenditure* | (228,550)           | (454,454)                 | -                         | (683,004)            |
| December 31, 2012                 |                     |                           |                           |                      |
| Contributions                     | 50,021              | 118,772                   | -                         | 168,793              |
| Interest and dividends            | 186,541             | 343,427                   | 1,264                     | 531,232              |
| Net realized gains                | 21,756              | 40,053                    | 149                       | 61,958               |
| Net unrealized gains              | 439,191             | 808,560                   | 3,012                     | 1,250,763            |
| Amounts released for expenditure  | (240,157)           | (413,445)                 | (4,425)                   | (658,027)            |
| December 31, 2013                 |                     |                           |                           |                      |
|                                   | <u>\$ 5,123,815</u> | <u>\$ 9,354,237</u>       | <u>\$ 29,192</u>          | <u>\$ 14,507,244</u> |

\*Note: Certain 2012 amounts have been reclassified to conform with the 2013 financial statement presentation.

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 10 – NET ASSETS**

Accounting policies related to Net Assets are presented in Note 2. Information regarding the three categories of net assets is as follows:

*Unrestricted net assets* at December 31, 2013 and 2012 consist of:

|   | <u>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| Endowed Funds   |                     |                     |
| Board-designated Endowment Fund for Evanston                  | \$ 3,553,004        | \$ 3,139,922        |
| Board-designated Foundation and Leadership<br>Endowment Funds | <u>1,570,811</u>    | <u>1,526,541</u>    |
| Total Endowed Funds   | <u>5,123,815</u>    | <u>4,666,463</u>    |
| Unendowed Funds   |                     |                     |
| General Operating Fund  | 259,126             | 131,290             |
| Donor Advised Funds   | <u>1,210,972</u>    | <u>1,143,293</u>    |
| Total Unendowed Funds   | <u>1,470,098</u>    | <u>1,274,583</u>    |
|   | <u>\$ 6,593,913</u> | <u>\$ 5,941,046</u> |

The Board-designated Endowment Fund for Evanston, and the Foundation and Leadership Endowment Funds have been earmarked by the Board to grow in perpetuity while generating annual spending allowances to support Foundation operations, grantmaking and programs. The General Operating Fund was established in 2000 for funding the Foundation's day-to-day operations.

In 2013, the Board approved, as requested, spending from unrestricted Donor Advised Funds in the amount of \$155,780, with \$106,830 paid to other charitable organizations, and a total of \$48,950 transferred to other funds of the Foundation. In 2012, the Board approved, as requested, spending from unrestricted Donor Advised Funds in the amount of \$197,736, with \$145,436 paid to other charitable organizations, and a total of \$52,300 transferred to other funds of the Foundation. Donor Advised Funds may also be temporarily restricted as to purpose.

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 10 – NET ASSETS (Continued)**

*Temporarily restricted net assets* at December 31, 2013 and 2012 consist of:

|   | <u>2013</u>      | <u>2012</u>      |
|---|------------------|------------------|
| <b>Endowed, Temporarily Restricted Funds</b>                |                  |                  |
| Board-directed field of interest funds                      |                  |                  |
| Acorn Fund  | \$ 34,808        | \$ 31,762        |
| All Our Sons Fund   | 223,975          | 206,476          |
| Arts in Community Fund                                      | 202,881          | 175,766          |
| Balkcom Family Fund for Literacy and Affordable Housing     | 42,631           | 38,001           |
| Communityworks Fund   | 6,786,194        | 6,194,269        |
| Cultural Diversity Fund                                     | 29,403           | 26,920           |
| Evanston Swims  | 4,720            | 582              |
| Leonard Fisher Fund for Nursing Education                   | 53,672           | 45,989           |
| Fund for Women and Girls                                    | 337,521          | 307,247          |
| Green Communities Fund                                      | 43,197           | 39,192           |
| Leadership Fund   | 421,877          | 371,556          |
| Lydia Martin Memorial Fund for Children and the Arts        | 54,364           | 49,915           |
| Lorraine Hairston Morton Fund for Youth                     | 32,777           | 30,047           |
| Paul Collins Pate Memorial Fund for Evanston Swims          | 12,501           | -                |
| Skokie Community Fund                                       | 21,878           | 17,131           |
| Sweers Fund for Children and the Arts                       | 24,735           | 20,788           |
| Faith Vilas Fund for Youth                                  | 85,715           | 78,703           |
|   | <u>8,412,849</u> | <u>7,634,344</u> |
| Donor-designated funds                                      |                  |                  |
| Beatty Family Scholarship Fund                              | 89,510           | 82,243           |
| William K. Beatty Medical History Scholarship Fund          | 71,180           | 63,958           |
| Virginia L. and William Beatty Volunteer Service Award Fund | 56,530           | 50,453           |
| Chicago Youth Scholarship Fund                              | 392,606          | 360,791          |
| Chuck Remen Memorial Fund                                   | 22,150           | 20,343           |
| Foster Reading Center Fund                                  | 103,806          | 94,297           |
| Fund for Curt's Café  | 13,007           | 10,972           |
| Susan Willis Heiberger Memorial Garden Fund                 | 28,884           | 26,303           |
| Rayna and Marvin Miller Fund for Open Communities           | 57,269           | 45,677           |
| Bruce E. Mitchell Short Story Fund                          | 23,383           | 18,745           |
| Norman W. Thomas Jr. Scholarship Fund                       | 20,740           | 18,480           |
| Rose and Andy Thomas Jr. Scholarship Fund                   | 33,179           | 30,264           |
| YWCA Evanston/North Shore Education Fund                    | 29,144           | -                |
|   | <u>941,388</u>   | <u>822,526</u>   |
| Subtotal - Endowed, Temporarily Restricted Funds            | <u>9,354,237</u> | <u>8,456,870</u> |

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 10 – NET ASSETS (Continued)**

|   | <u>2013</u>             | <u>2012</u>             |
|---|-------------------------|-------------------------|
| Donor advised funds, restricted as to purpose, unendowed  |                         |                         |
| Friends of the Arts Fund                                  | 33,586                  | 34,591                  |
| Jon Kimmel Memorial Fund                                  | 36,121                  | 36,065                  |
| Avi Kurganoff Memorial Fund                               | <u>41,846</u>           | <u>35,805</u>           |
|   | <u>111,553</u>          | <u>106,461</u>          |
| Other temporarily restricted funds, unendowed             |                         |                         |
| Acorn Spendable   | 500                     | 500                     |
| Aspen Institute/Two Generation Initiative                 | 6,897                   | -                       |
| Charitable Gift Annuities                                 | 36,494                  | 30,171                  |
| Climate Action Fund                                       | 10,553                  | 11,765                  |
| Communityworks Impact Fund                                | 31,760                  | 31,485                  |
| Evanston 150 Project                                      | 3,364                   | 7,850                   |
| Evanston Gun Buyback Fund                                 | 15,188                  | 16,266                  |
| Evanston Police and Fire Fund                             | 20,903                  | 13,611                  |
| Illinois Early Childhood Fellowship                       | 151,095                 | 96,915                  |
| Skokie Community Fund for Current Spending                | 5,131                   | 3,750                   |
| Women and Girls Special Initiative Fund                   | 1,359                   | 3,359                   |
| Gifts Temporarily Restricted for Period after December 31 | <u>1,316</u>            | <u>16,844</u>           |
|   | <u>284,560</u>          | <u>232,516</u>          |
| <br>Total temporarily restricted net assets               | <br><u>\$ 9,750,350</u> | <br><u>\$ 8,795,847</u> |

*Permanently restricted net assets* consist solely of the Anderson Fund.

**NOTE 11 – FISCAL SPONSORSHIPS**

The Foundation serves as fiscal sponsor for two projects, the Illinois Early Childhood Fellowship (Fellowship) and Evanston 150 (Ev150). As fiscal sponsor, the Foundation manages these projects on behalf of other entities, providing project oversight including administrative and financial services, and applies for and receives grants to fund the program objectives of the projects.

The Fellowship is an initiative developed and funded by a consortium of six Chicago area funders to build leadership capacity in the field of early childhood care and education. The Foundation has served as a fiscal sponsor for the Fellowship since 2008; as of July 1, 2014, the Foundation's fiscal sponsorship agreement with the Fellowship was extended through June 30, 2015.

Ev150 is a community-wide initiative supported by seven local funders to celebrate Evanston's sesquicentennial in 2013. Through a community-wide process, Evanston residents generated more than 2,013 ideas for Evanston's future, and the ten projects that generated the most community support are currently being implemented. The Foundation served as fiscal sponsor in 2012 and continued its role through 2013.

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 12 – LEASE**

In December 2003, the Foundation relocated and entered into a sixty-five month lease agreement for office space in Evanston, Illinois, which expired on April 30, 2009. In November 2008, the lease was amended, extending the expiration date to April 30, 2013. The amended lease provides for minimum rental payments of \$4,577 per month plus annual escalation, subject to additional rent for increases in taxes and operating expenses. In January 2012, the lease was amended, extending the expiration date to June 30, 2014. The amended lease provides for minimum rental payments of \$3,910 per month plus annual escalation, subject to additional rent for increases in taxes and operating expenses.

In November 2013, the Foundation signed a new sixty month lease agreement commencing July 1, 2014 for office space at One Rotary Center in Evanston, Illinois. The lease provides an allowance of \$45,500 for leasehold improvements and contains an ‘early out’ provision that becomes effective after the thirty-sixth month of the lease, subject to certain conditions.

Rent expense was \$47,540 in 2013 and \$42,919 in 2012. Future minimum base rental payments are as follows:

| <u>Year Ending<br/>December 31</u> | <u>Amount</u>     |
|------------------------------------|-------------------|
| 2014                               | \$ 59,607         |
| 2015                               | 73,372            |
| 2016                               | 77,605            |
| 2017                               | 80,427            |
| 2018                               | 83,249            |
| Thereafter                         | <u>42,330</u>     |
|                                    | <u>\$ 416,590</u> |

**NOTE 13 – RETIREMENT AND PENSION PLAN**

The Foundation has a non-contributory 403(b) plan in place for eligible employees. Employees are eligible to participate on the first of the month following employment. Effective January 1, 2009, the plan was amended to conform to new regulatory requirements.

**NOTE 14 – SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through September 3, 2014, the date which the financial statements were available to be issued.