

# **Evanston Community Foundation**

## **Independent Auditor's Report and Financial Statements**

**December 31, 2015 and 2014**

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August 2016

We are pleased to present our audited financial statements for the year ending December 31, 2015, with comparative data for 2014. The following narrative highlights items of interest in the statements and the accompanying notes.

#### FINANCIAL STATEMENT HIGHLIGHTS

The auditor's opinion on our financial statements appears on pages 1- 2 in the **Independent Auditor's Report**. As in prior years, we have received an 'unmodified' opinion (formerly referred to as 'unqualified'), which means that our financials conform to generally accepted accounting principles and present our financial position fairly, 'in all material respects'.

The **Statement of Financial Position** (often called the Balance Sheet) appears on page 3, presenting key categories of ECF ASSETS AND LIABILITIES. Our primary assets are CASH AND CASH EQUIVALENTS, which include our bank accounts plus cash held in our investment portfolio, and INVESTMENTS, the market value of the Foundation's investment pool for our endowed funds. Cash plus investments decreased \$1 million in 2015 due to the combination of a negative investment return of -1.6% and our 5% spending from endowment. Correspondingly, our TOTAL ASSETS decreased \$1.1 million to \$19.3 million at year end 2015.

A few words about investment and spending practices, as set forth in the Foundation's Investment & Spending Policy ("ISP"):

- Our principal objective is to preserve, in perpetuity, the purchasing power of ECF assets to provide a growing stream of income to cover expenses and fund grants & programs.
- The portfolio objective is to achieve an annual total return which exceeds budgeted spending plus inflation.
- Annual spending from endowment may range from 3.55 to 6% and is calculated on the three year moving average of our endowed funds. The spending level is approved by the ECF board each fall and has been 5% for the past fifteen years, plus.

The ISP provides for steady spending from endowment. Thus in years of high investment returns, we spend just 5%, and in investment loss years we also spend 5%. As a result, ECF may report a decline in assets and/or an operating loss from time to time, as in 2015.

TOTAL LIABILITIES held steady in 2015 compared to 2014. Accounts payable and grants payable decreased due to timing differences in receipt and payment of invoices and grant reports – we paid more of our 2015 expenses before 2015 ended – compared to 2014, when more 2014 invoices and grant reports were received after December 31. The largest liability line item, FUNDS HELD AS AGENCY ENDOWMENTS, increased a net \$60,000. One new agency fund was established with a gift of \$260,000, offset by \$140,000 in distributions from existing funds and \$60,000 investment loss.

We had 21 FUNDS HELD AS AGENCY ENDOWMENTS ("agency funds") at the end of 2015, including eight funds for the ETHS Educational Foundation. Accounting standards require us to classify agency funds as liabilities, but they are a good thing for ECF, generating administrative fees to support our programs and operations, and providing Evanston's nonprofits with access to our investment pool.

As is the case with all other funds of the Foundation, ECF is the legal owner of these agency funds, and they are commingled with other ECF funds for investment purposes, as described in Note 8 on page 14.

The value of the Foundation's more than 70 other funds are included in the NET ASSETS section of this statement and total nearly \$16 million at the end of 2015. The three Net Asset categories – *unrestricted, temporarily restricted, permanently restricted* – are prescribed by accounting standards; more information regarding the net asset categories appears in Notes 2 and 10 on pages 7 and 16, respectively.

The **Statement of Activities** (also known as the Income Statement), summarizes the Foundation's Revenues and Expenses and appears on page 4. At the top left of the page, in SUPPORT REVENUE, you'll see a total of \$1.9 million in gifts and grants received in 2015, organized in broad categories (rows) and allocated to the columns based upon whether the gifts were to Unrestricted or Temporarily Restricted funds. Total SUPPORT REVENUE includes:

- 480,000 in BOARD-DESIGNATED ENDOWMENT AND FIELD OF INTEREST CONTRIBUTIONS, which are gifts to our 'board directed' funds. (field of interest gifts appear in the Temporarily Restricted column) – 2015 endowment gifts exceed 2014 by nearly \$300,000 due primarily to gifts received for the Sara Schastok Fund honoring Schastok on her retirement.
- \$937,000 in OPERATING CONTRIBUTIONS – these support our programs, grants, and operations, and are consistent with 2014 amounts.
- \$490,000 in OTHER FUND CONTRIBUTIONS. This category includes additions to donor advised funds (in the Unrestricted column) and gifts received for our Two Generation pilot plus grants received for the Illinois Early Childhood Fellowship (IECF) project we sponsor (in the Temporarily Restricted column). The category declined \$1.1 million because 1) we had no new Donor Advised funds in 2015, compared to a large, new DAF added in 2014, and 2) we phased out both the Two Gen project and IECF in 2015, resulting in a decrease of more than \$700,000.

The middle section of page 3 presents investment activity. The 2015 investment loss of –1.6% contrasts with a 5.2% return in 2014. As noted on page 1 of this letter, we do not cease spending from endowment funds in years of investment loss, but rather use ECF's spending policy to calculate fund withdrawals. Spending from our endowed funds supplements the revenues generated from SUPPORT REVENUE AND PROGRAM REVENUE. The decline in overall assets in 2015 compared to 2014 correlates to the *Decrease in Net Assets* near the bottom of page 4.

EXPENSES appear in summary form in the bottom section of page 4, and are presented in greater detail on the **Statements of Functional Expenses** on pages 5 – 6. These expenses comprise the total outflows from all funds for grants, programs, special initiatives and Foundation operations, organized into the functional categories of Program Services, Management/General and Fundraising. The **Statements of Functional Expenses** are organized so that grants and fiscal sponsorship expenses appear in a separate section near the bottom of the page.

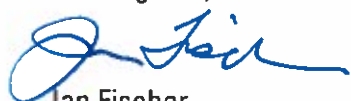
*Operating expenses* increased 4% over 2014 expenses. The increase consists of budgeted adjustments and year one transition costs related to Monique's hiring and Sara's retirement. These increases were offset by the non-recurrence of our 2014 expenses to move to our new office. *Grants and fiscal sponsorship* expenses declined 11% due to the phase-out of IECF mentioned above.

In 2015, \$2.4 million or 83% of the Foundation's expenses are allocable to mission-related *Program Services*. The remaining expenses are allocated 9.5% to *Management & General* and 7.5% to *Fundraising*. Our fiscal sponsorship of the Illinois Early Childhood Fellowship was active through June of 2015, increasing the percentage of our expenses attributable to *Program Services*. Without the grant and program expenses of the Fellowship, the portion of our core expenses allocable to *Program Services* would be 79%.

The Notes to Financial Statements begin on page 8, and we encourage you to review them for broader insights into our accounting practices and financial responsibilities.

Please don't hesitate to call or email if you have any questions or comments.

Best regards,



Jan Fischer

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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, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Evanston Community Foundation  
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## **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, 2015 and 2014, 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.

*BKD, LLP*

Oakbrook Terrace, Illinois  
July 12, 2016

EVANSTON COMMUNITY FOUNDATION  
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,597,766	\$ 1,275,352
Accounts receivable		
Pledges receivable	59,743	108,923
Investment income receivable	20,772	16,045
Other receivables	11,761	14,946
Investments, at fair value	17,514,258	18,869,400
Prepaid expenses and other assets	13,866	9,491
Leasehold improvements, furniture and equipment, net	80,945	96,841
Total assets	<u>\$ 19,299,111</u>	<u>\$ 20,390,998</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 64,502	\$ 96,677
Deferred revenue	25,650	18,480
Deferred lease incentive	36,400	40,950
Grants payable	127,183	160,891
Charitable gift annuities payable	12,749	14,391
Funds held as agency endowments	3,017,712	2,955,423
Total liabilities	<u>3,284,196</u>	<u>3,286,812</u>
<b>NET ASSETS</b>		
Unrestricted	6,579,353	6,929,139
Temporarily restricted	9,406,370	10,145,855
Permanently restricted	29,192	29,192
Total net assets	<u>16,014,915</u>	<u>17,104,186</u>
Total liabilities and net assets	<u>\$ 19,299,111</u>	<u>\$ 20,390,998</u>

See Notes to Financial Statements



EVANSTON COMMUNITY FOUNDATION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Support revenue				
Board-designated endowment and field of interest contributions	\$ 175,002	\$ 304,917	\$ -	\$ 479,919
Operating contributions	874,080	63,249	-	937,329
Other fund contributions	127,465	362,900	-	490,365
	<u>1,176,547</u>	<u>731,066</u>	<u>-</u>	<u>1,907,613</u>
Program revenue				
Tuition and fees plus event revenue - net	<u>63,422</u>	<u>-</u>	<u>-</u>	<u>63,422</u>
Investment income (loss)				
Interest and dividends	260,645	274,717	-	535,362
Realized gains on investments, net	580,208	601,572	-	1,181,780
Unrealized losses on investments, net	(978,989)	(1,014,173)	-	(1,993,162)
Funds held as agency endowments	63,341	-	-	63,341
	<u>(74,795)</u>	<u>(137,884)</u>	<u>-</u>	<u>(212,679)</u>
Net assets released from restrictions	<u>1,332,667</u>	<u>(1,332,667)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,497,841</u>	<u>(739,485)</u>	<u>-</u>	<u>1,758,356</u>
EXPENSES				
Program services	<u>2,364,693</u>	<u>-</u>	<u>-</u>	<u>2,364,693</u>
Supporting services				
Management and general	270,159	-	-	270,159
Fund raising	212,775	-	-	212,775
	<u>482,934</u>	<u>-</u>	<u>-</u>	<u>482,934</u>
Total expenses	<u>2,847,627</u>	<u>-</u>	<u>-</u>	<u>2,847,627</u>
DECREASE IN NET ASSETS	(349,786)	(739,485)	-	(1,089,271)
Net assets, beginning of year	<u>6,929,139</u>	<u>10,145,855</u>	<u>29,192</u>	<u>17,104,186</u>
NET ASSETS, END OF YEAR	<u>\$ 6,579,353</u>	<u>\$ 9,406,370</u>	<u>\$ 29,192</u>	<u>\$ 16,014,915</u>

See Notes to Financial Statements

EVANSTON COMMUNITY FOUNDATION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Support revenue				
Board-designated endowment and field of interest contributions	\$ 46,769	\$ 145,936	\$ -	\$ 192,705
Operating contributions	829,195	112,454	-	941,649
Other fund contributions	<u>502,101</u>	<u>1,079,251</u>	<u>-</u>	<u>1,581,352</u>
	<u>1,378,065</u>	<u>1,337,641</u>	<u>-</u>	<u>2,715,706</u>
Program revenue				
Tuition and fees plus event revenue - net	<u>75,588</u>	<u>-</u>	<u>-</u>	<u>75,588</u>
Investment income (loss)				
Interest and dividends	585,272	347,385	-	932,657
Realized gains on investments, net	106,865	110,856	-	217,721
Unrealized losses on investments, net	(86,009)	(100,291)	-	(186,300)
Funds held as agency endowments	<u>(122,989)</u>	<u>-</u>	<u>-</u>	<u>(122,989)</u>
	<u>483,139</u>	<u>357,950</u>	<u>-</u>	<u>841,089</u>
Net assets released from restrictions	<u>1,300,086</u>	<u>(1,300,086)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,236,878</u>	<u>395,505</u>	<u>-</u>	<u>3,632,383</u>
EXPENSES				
Program services	<u>2,456,649</u>	<u>-</u>	<u>-</u>	<u>2,456,649</u>
Supporting services				
Management and general	247,450	-	-	247,450
Fund raising	<u>197,553</u>	<u>-</u>	<u>-</u>	<u>197,553</u>
	<u>445,003</u>	<u>-</u>	<u>-</u>	<u>445,003</u>
Total expenses	<u>2,901,652</u>	<u>-</u>	<u>-</u>	<u>2,901,652</u>
INCREASE IN NET ASSETS	335,226	395,505	-	730,731
Net assets, beginning of year	<u>6,593,913</u>	<u>9,750,350</u>	<u>29,192</u>	<u>16,373,455</u>
NET ASSETS, END OF YEAR	<u>\$ 6,929,139</u>	<u>\$ 10,145,855</u>	<u>\$ 29,192</u>	<u>\$ 17,104,186</u>

See Notes to Financial Statements

EVANSTON COMMUNITY FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2015

	Program Services	Supporting Services			Total
		Management and General	Fund Raising	Total	
Personnel					
Salaries	\$ 483,877	\$ 109,080	\$ 85,184	\$ 194,264	\$ 678,141
Payroll taxes and benefits	81,748	24,767	16,579	41,346	123,094
Staff and board expenses	<u>8,429</u>	<u>8,634</u>	<u>4,761</u>	<u>13,395</u>	<u>21,824</u>
Total personnel	574,054	142,481	106,524	249,005	823,059
Annual report and newsletters	32,623	-	8,338	8,338	40,961
Class and meeting expense	28,805	-	-	-	28,805
Communications	31,110	4,258	43,073	47,331	78,441
Dues and subscriptions	2,877	2,466	654	3,120	5,997
Office expenses and supplies	9,104	16,281	6,206	22,487	31,591
Postage	2,435	4,355	14,008	18,363	20,798
Printing	5,519	7,750	-	7,750	13,269
Professional fees	182,314	57,942	22,929	80,871	263,185
Occupancy expenses	50,567	13,119	11,043	24,162	74,729
Depreciation and amortization	<u>21,508</u>	<u>21,507</u>	<u>-</u>	<u>21,507</u>	<u>43,015</u>
Total operating expenses	<u>940,916</u>	<u>270,159</u>	<u>212,775</u>	<u>482,934</u>	<u>1,423,850</u>
Donor advised grants	153,314	-	-	-	153,314
Foundation grants awarded	716,946	-	-	-	716,946
Fiscal sponsorship grants and expenses	<u>553,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>553,517</u>
Total grants and related expenses	<u>1,423,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,423,777</u>
Total functional expenses	<u>\$ 2,364,693</u>	<u>\$ 270,159</u>	<u>\$ 212,775</u>	<u>\$ 482,934</u>	<u>\$ 2,847,627</u>

See Notes to Financial Statements

EVANSTON COMMUNITY FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2014

	Program Services	Supporting Services			Total
		Management and General	Fund Raising	Total	
Personnel					
Salaries	\$ 391,376	\$ 106,543	\$ 71,908	\$ 178,451	\$ 569,827
Payroll taxes and benefits	92,363	30,428	16,122	46,550	138,913
Staff and board expenses	<u>10,175</u>	<u>5,823</u>	<u>3,698</u>	<u>9,521</u>	<u>19,696</u>
Total personnel	493,914	142,794	91,728	234,522	728,436
Annual report and newsletters	38,427	-	9,509	9,509	47,936
Class and meeting expense	36,485	-	-	-	36,485
Communications	21,028	3,079	43,624	46,703	67,731
Dues and subscriptions	2,953	2,312	642	2,954	5,907
Office expenses and supplies	22,958	29,008	11,612	40,620	63,578
Postage	6,326	4,052	10,525	14,577	20,903
Printing	4,496	9,308	-	9,308	13,804
Professional fees	182,098	24,512	22,463	46,975	229,073
Occupancy expenses	35,864	16,020	7,450	23,470	59,334
Depreciation and amortization	<u>16,366</u>	<u>16,365</u>	<u>-</u>	<u>16,365</u>	<u>32,731</u>
Total operating expenses	<u>860,915</u>	<u>247,450</u>	<u>197,553</u>	<u>445,003</u>	<u>1,305,918</u>
Donor advised grants	147,574	-	-	-	147,574
Foundation grants awarded	660,687	-	-	-	660,687
Fiscal sponsorship grants and expenses	<u>787,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>787,473</u>
Total grants and related expenses	<u>1,595,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,595,734</u>
Total functional expenses	<u>\$ 2,456,649</u>	<u>\$ 247,450</u>	<u>\$ 197,553</u>	<u>\$ 445,003</u>	<u>\$ 2,901,652</u>

See Notes to Financial Statements

EVANSTON COMMUNITY FOUNDATION  
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$(1,089,271)	\$ 730,731
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Net investment (gains) losses	811,382	(31,421)
Depreciation and amortization	43,015	32,731
Stock gifts donated to investment account	(121,246)	(65,622)
(Increase) decrease in:		
Pledges receivable	49,180	(107,469)
Investment income receivable	(4,727)	645
Other receivables	3,185	7,356
Prepaid expenses and other assets	(4,375)	12,119
Increase (decrease) in:		
Accounts payable and accrued liabilities	(32,175)	33,772
Deferred revenue	7,170	(56,131)
Deferred lease incentive	(4,550)	(4,550)
Grants payable	(33,708)	115,091
Agency funds	62,289	208,274
Charitable gift annuities payable	(1,642)	(2,000)
Net cash provided by (used in) operating activities	<u>(315,473)</u>	<u>873,526</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of leasehold improvements, furniture and equipment	(27,119)	(23,907)
Sale of investments	6,569,913	3,628,801
Purchase of investments	<u>(5,904,907)</u>	<u>(3,750,545)</u>
Net cash provided by (used in) investing activities	<u>637,887</u>	<u>(145,651)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	322,414	727,875
Cash and cash equivalents		
Beginning of year	<u>1,275,352</u>	<u>547,477</u>
End of year	<u>\$ 1,597,766</u>	<u>\$ 1,275,352</u>
Supplemental disclosure of non-cash investing and financing activity:		
Lease incentive	<u>\$ -</u>	<u>\$ 45,500</u>

See Notes to Financial Statements

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 – ORGANIZATION ACTIVITIES**

The Evanston Community Foundation, Inc. (the “Foundation”) is an Illinois not-for-profit corporation. 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. Through ongoing interactions with grantees, the Foundation adds value to its grants and assesses the effectiveness of its grantmaking.

The Communityworks Initiative continues to be the Foundation’s most prominent program and is supported by our largest endowment fund. The long-term impact plan, *Every child ready for kindergarten, Every youth ready for work*, was developed in 2004-06, approved by the Board in 2006 and launched in 2007 with its first grants. Since launching the initiative, several complementary programs have been undertaken to advance the work of *Every child, Every youth*. These programs include ABC Boosters, for enhancing pre-K literacy, and a Two-Generation pilot, connecting parents of children participating in early childhood programs to improved educational and career options. Since 2007, more than \$1.4 million in grants and support services has been invested in our Communityworks Initiative and related programs.

Ongoing programs and activities include responsive grants, Leadership Evanston, *root2fruit* capacity-building grants, catalyst grants, and workshops to increase the effectiveness of the community’s nonprofits. Foundation staff assist donors in attaining their philanthropic goals and support nonprofits as they work to strengthen their organizations and collaborate across Evanston. 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 almost always considered unrestricted. Donor Advised Funds may also be temporarily restricted as to purpose.

*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 financial institutions and money market funds, and includes \$1,255,511 and \$202,863 held in a custodial account at December 31, 2015 and 2014, respectively.

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**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, 2015 and 2014. Accordingly, no allowance for doubtful accounts is required. The preponderance of pledges receivable at December 31, 2015 and 2014, 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.

**LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT**

Leasehold improvements, furniture and equipment are recorded at cost and depreciated or amortized on a straight-line basis over the estimated useful lives of the assets, except for leasehold improvements which are amortized over the shorter of the term of the lease or estimated useful life. 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 of the various classes of assets are as follows:

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



EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

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

**DEFERRED LEASE INCENTIVE**

When a lease includes incentives (such as reimbursement of certain lessee construction costs), the incentives are amortized as a reduction to rent expense on a straight-line basis over the term of the lease. The net book value of the lease incentives are classified as deferred lease incentive in the accompanying statements of financial position.

**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 \$8,600 in 2015 and \$7,340 in 2014.

**CONTRIBUTED GOODS AND SERVICES**

The Foundation occasionally receives donated goods and services for its meetings and programs. In 2015 and 2014, the Foundation received and recorded in-kind donations with a value of \$2,618 and \$15,300, 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 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 2012 and subsequent years remain open to examination.

**NOTE 4 – CONCENTRATIONS**

In both 2015 and 2014, five donors provided approximately 40% of total support revenues.

The Foundation maintains cash in bank deposit and money market accounts which, at times, may exceed insured limits. 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. As of December 31, 2015, the Foundation had funds in excess of insured limits of approximately \$154,000.

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%.

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 2015 and 2014 portfolios were within policy guidelines.

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

*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, 2015 and 2014.

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, 2015 and 2014.

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.

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

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

Fair values of assets measured on a recurring basis at December 31, 2015 and 2014, are as follows:

		Fair Value Measurements at Reporting Date Using	
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)
	Fair Value		
December 31, 2015			
Equity mutual funds			
Domestic	\$ 7,683,494	\$ 7,683,494	\$ -
International	2,651,788	2,651,788	-
Fixed income mutual funds			
Domestic	2,673,736	2,673,736	-
International	363,446	363,446	-
U.S. treasury obligations	1,145,938	1,145,938	-
Other	<u>2,995,856</u>	<u>1,976,484</u>	<u>1,019,372</u>
Total	<u>\$ 17,514,258</u>	<u>\$ 16,494,886</u>	<u>\$ 1,019,372</u>
December 31, 2014			
Equity mutual funds			
Domestic	\$ 9,250,190	\$ 9,250,190	\$ -
International	2,524,826	2,524,826	-
Fixed income mutual funds			
Domestic	2,315,257	2,315,257	-
International	778,302	778,302	-
U.S. treasury obligations	1,332,513	1,332,513	-
Other	<u>2,668,312</u>	<u>1,631,093</u>	<u>1,037,219</u>
Total	<u>\$ 18,869,400</u>	<u>\$ 17,832,181</u>	<u>\$ 1,037,219</u>

At December 31, 2015 and 2014, the Foundation has a multi-asset mutual fund investment offered through an investment management company, 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. The mutual fund has its own investment strategy and policies as governed by the 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 management 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.

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 7 – LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT**

Leasehold improvements, furniture and equipment consists of the following at December 31, 2015 and 2014:

	2015	2014
Computers, software and website	\$ 155,855	\$ 137,964
Leasehold improvements	53,445	53,445
Office equipment	12,127	18,660
Furniture	<u>3,403</u>	<u>3,403</u>
	224,830	213,472
Less: accumulated depreciation and amortization	<u>143,885</u>	<u>116,631</u>
	<u>\$ 80,945</u>	<u>\$ 96,841</u>

Depreciation and amortization expense was \$43,015 in 2015 and \$32,731 in 2014.

**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 currently holds 21 funds from 13 organizations. The fair value of these funds was \$3,017,712 at December 31, 2015, and \$2,955,423 at December 31, 2014. The Foundation may receive contributions to these funds, and the organizations receive periodic distributions from the funds. Total contributions received were \$270,243 in 2015 and \$176,568 in 2014. Total distributions were \$144,613 in 2015 and \$91,227 in 2014.

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.

**NOTE 9 – ENDOWMENT FUNDS**

The composition of Endowment Funds by type of fund as of December 31, 2015 and 2014, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
December 31, 2014				
Board-designated endowments	\$ 5,228,681	\$ -	\$ -	\$ 5,228,681
Board-directed field of interest endowment funds	-	8,451,085	-	8,451,085
Donor-designated endowment funds	<u>-</u>	<u>989,323</u>	<u>29,192</u>	<u>1,018,515</u>
	<u>\$ 5,228,681</u>	<u>\$ 9,440,408</u>	<u>\$ 29,192</u>	<u>\$ 14,698,281</u>

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 9 – ENDOWMENT FUNDS (Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
December 31, 2015				
Board-designated endowments	\$ 5,084,941	\$ -	\$ -	5,084,941
Board-directed field of interest endowment funds	-	8,055,977	-	8,055,977
Donor-designated endowment funds	<u>-</u>	<u>944,807</u>	<u>29,192</u>	<u>973,999</u>
	<u>\$ 5,084,941</u>	<u>\$ 9,000,784</u>	<u>\$ 29,192</u>	<u>\$ 14,114,917</u>

Changes in Endowment Net Assets for the years ended December 31, 2015 and 2014, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
December 31, 2013	\$ 5,123,815	\$ 9,354,237	\$ 29,192	\$ 14,507,244
Contributions	67,019	100,615	-	167,634
Interest and dividends	257,342	464,273	1,761	723,376
Net realized gains	60,006	108,154	411	168,571
Net unrealized losses	(65,243)	(221,137)	(425)	(286,805)
Amounts released for expenditure	<u>(214,258)</u>	<u>(365,734)</u>	<u>(1,747)</u>	<u>(581,739)</u>
December 31, 2014	5,228,681	9,440,408	29,192	14,698,281
Contributions	173,278	230,191	-	403,469
Interest and dividends	139,637	267,556	958	408,151
Net realized gains	311,346	586,026	2,136	899,508
Net unrealized losses	(530,120)	(987,566)	(1,541)	(1,519,227)
Amounts released for expenditure	<u>(237,881)</u>	<u>(535,831)</u>	<u>(1,553)</u>	<u>(775,265)</u>
December 31, 2015	<u>\$ 5,084,941</u>	<u>\$ 9,000,784</u>	<u>\$ 29,192</u>	<u>\$ 14,114,917</u>

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, 2015 and 2014, consist of:

	<u>2015</u>	<u>2014</u>
Endowed Funds		
Board-designated Endowment Fund for Evanston	\$ 3,559,605	\$ 3,610,214
Board-designated Foundation and Leadership		
Endowment Funds	<u>1,525,336</u>	<u>1,618,467</u>
Total Endowed Funds	<u>5,084,941</u>	<u>5,228,681</u>
Unendowed Funds		
General Operating Fund	84,433	149,970
Donor Advised Funds	<u>1,409,979</u>	<u>1,550,488</u>
Total Unendowed Funds	<u>1,494,412</u>	<u>1,700,458</u>
	<u>\$ 6,579,353</u>	<u>\$ 6,929,139</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 2015, the Board approved, as requested, spending from unrestricted Donor Advised Funds in the amount of \$230,064, with \$153,314 paid to other charitable organizations, and a total of \$76,750 transferred to other funds of the Foundation. In 2014, the Board approved, as requested, spending from unrestricted Donor Advised Funds in the amount of \$204,736, with \$140,936 paid to other charitable organizations, and a total of \$63,800 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, 2015 and 2014, consist of:

	2015	2014
<b>Endowed, Temporarily Restricted Funds</b>		
Board-directed field of interest funds		
Acorn Fund	\$ 34,875	\$ 35,859
Shawn Patrick Afryl #56 Shoe Fund	10,127	2,524
All Our Sons Fund	212,746	225,411
Arts in Community Fund	194,943	207,323
Balkcom Family Fund for Literacy and Affordable Housing	42,073	42,911
Communityworks Fund	6,332,460	6,802,822
Cultural Diversity Fund	27,674	29,542
Leonard Fisher Fund for Nursing Education	57,082	58,291
Fund for Women and Girls	319,665	339,180
Green Communities Fund	40,316	42,976
Leadership Fund	420,844	436,913
Lydia Martin Memorial Fund for Children and the Arts	51,242	54,615
Lorraine Hairston Morton Fund for Youth	30,957	33,031
Sara Schastok Fund for Communityworks	122,854	-
Skokie Community Fund	37,540	27,663
Sweers Fund for Children and the Arts	39,824	25,914
Faith Vilas Fund for Youth	80,755	86,110
	<u>8,055,977</u>	<u>8,451,085</u>
 Donor-designated funds		
Beatty Family Scholarship Fund	86,541	92,922
William K. Beatty Medical History Scholarship Fund	68,896	72,385
Virginia L. and William Beatty Volunteer Service Award Fund	54,696	57,214
Chicago Urban Youth Scholarship Fund	369,603	393,709
Chuck Remen Memorial Fund	22,286	23,210
Evanston Men Promise Award Fund	2,980	-
Foster Reading Center Fund	103,249	107,819
Fund for Curt's Café	15,645	14,226
Grandmother Park Fund	17,894	15,902
Susan Willis Heiberger Memorial Garden Fund	26,125	26,866
Rayna and Marvin Miller Fund for Open Communities	54,201	57,774
Bruce E. Mitchell Short Story Fund	25,381	26,260
Norman W. Thomas Jr. Scholarship Fund	20,725	21,413
Rose and Andy Thomas Jr. Scholarship Fund	48,213	49,367
YWCA Evanston/North Shore Education Fund	28,372	30,256
	<u>944,807</u>	<u>989,323</u>



EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 10 – NET ASSETS (Continued)**

	2015	2014
Donor advised funds, restricted as to purpose, unendowed		
Friends of the Arts Fund	32,604	33,285
Jon Kimmel Memorial Fund	34,022	36,465
Avi Kurganoff Memorial Fund	43,585	44,206
Mickey's Children's Fund	36,356	19,506
David Mulder Mental Health Fund	85,322	71,614
	<u>231,889</u>	<u>205,076</u>
Other temporarily restricted funds, unendowed		
Acorn Spendable	500	500
Aspen Institute/Two Generation Initiative	5,119	81,426
Charitable Gift Annuities	35,573	38,665
Climate Action Fund	9,148	6,468
Communityworks Impact Fund	30,858	5,946
Evanston Gun Buyback Fund	13,788	15,188
Evanston Police and Fire Fund	-	4,724
Illinois Early Childhood Fellowship	-	203,969
School Supplies Fund	2,545	-
Skokie Community Fund for Current Spending	6,486	29,977
Women and Girls Special Initiative Fund	1,359	1,359
Gifts Temporarily Restricted for Period after December 31	68,321	112,149
	<u>173,697</u>	<u>500,371</u>
Total temporarily restricted net assets	<u>\$ 9,406,370</u>	<u>\$ 10,145,855</u>

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

**NOTE 11 – FISCAL SPONSORSHIP**

As a fiscal sponsor, the Foundation manages 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 Foundation served as fiscal sponsor for the Illinois Early Childhood Fellowship (Fellowship) from October 1, 2008 through June 30, 2015. 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. Effective July 1, 2015, the Fellowship transitioned to a new home at the Erikson Institute.

**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 June 30, 2014. The lease provided for minimum rental payments 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

EVANSTON COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 12 – LEASE (Continued)**

leasehold improvements and contains an ‘early out’ provision that becomes effective after the thirty-sixth month of the lease, subject to certain conditions. The lease provides for minimum rental payments of \$5,879 per month plus annual escalation, subject to additional rent for increases in taxes and operating expenses.

Rent expense was \$68,949 in 2015 and \$58,111 in 2014.

Future minimum base rental payments are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2016	\$ 77,605
2017	80,427
2018	83,249
2019	<u>42,330</u>
	<u>\$ 283,611</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. The Foundation elected to make voluntary contributions to the plan of \$6,000 in 2015 and \$4,500 in 2014.

**NOTE 14 – SECONDARY GUARANTEE**

The Foundation has guaranteed \$48,000 of secured mortgage debt of an unrelated nonprofit. The debt obligation of the nonprofit is due in monthly installments with final payment due in 2018. The Foundation would be obligated to perform under this guarantee if the nonprofit defaults on its debt and sale of the underlying real estate asset does not generate proceeds sufficient to retire the debt. As of December 31, 2015, the nonprofit is current with its debt payments.

**NOTE 15 – SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through the date of the Independent Auditor’s Report, which is the date the financial statements were available to be issued.