



KESSLER ORLEAN SILVER  
CERTIFIED PUBLIC ACCOUNTANTS

**Little Brothers - Friends of the Elderly (Chicago)**

**Consolidated Financial Statements**

**September 30, 2015 and 2014**

# Little Brothers - Friends of the Elderly (Chicago)

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## Independent Auditor's Report

To the Board of Directors  
Little Brothers – Friends of the Elderly (Chicago)  
Chicago, Illinois

We have audited the consolidated financial statements of Little Brothers – Friends of the Elderly (Chicago) (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2015 and 2014, and the related consolidated statements of activities, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Little Brothers – Friends of the Elderly (Chicago) as of September 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

*Kessler, Orlean, Silver & Company, P.C.*

**Kessler, Orlean, Silver & Company, P.C.**  
Certified Public Accountants

Deerfield, Illinois  
February 16, 2016

# Little Brothers - Friends of the Elderly (Chicago)

## Consolidated Statements of Financial Position

September 30, 2015 and 2014

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	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
<b>Assets</b>		
Cash and Cash Equivalents	\$ 222,607	\$ 81,350
Investments - Organization	75,109	94,128
Investments - Organization - Restricted	1,913,279	2,060,870
Investments - Foundation	13,266,402	15,246,436
Note Receivable	8,250	17,250
Other Receivables	23,890	1,183
Prepaid Expenses	19,807	27,231
Deposits	55,500	41,314
Property and Equipment - Net	<u>2,701,613</u>	<u>2,832,480</u>
<b>Total Assets</b>	<u><u>\$ 18,286,457</u></u>	<u><u>\$ 20,402,242</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 62,495	\$ 60,110
Accrued Expenses	<u>165,077</u>	<u>168,758</u>
Total Liabilities	<u>227,572</u>	<u>228,868</u>
<b>Net Assets</b>		
Unrestricted	16,010,087	18,069,232
Temporarily Restricted	544,298	599,642
Permanently Restricted	<u>1,504,500</u>	<u>1,504,500</u>
Total Net Assets	<u>18,058,885</u>	<u>20,173,374</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 18,286,457</u></u>	<u><u>\$ 20,402,242</u></u>

See accompanying notes to consolidated financial statements.

# Little Brothers - Friends of the Elderly (Chicago)

## Consolidated Statements of Activities

For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Unrestricted Net Assets</b>		
Changes in Unrestricted Net Assets		
Operating Revenues:		
Contributions, General	\$ 853,136	\$ 738,894
Contributions, Planned Gifts	93,707	1,090
Trusts	12,359	132,993
Grants - Corporate and Foundation	256,600	277,300
Special Events	14,430	14,333
Donated Materials	84,420	89,150
Interest and Dividends	357,795	271,470
Other Revenue	39,991	9,590
Funds Appropriated for Expenditure	75,225	75,225
Net Assets Released from Restrictions		
By Satisfaction of Program Restriction	53,216	131,146
Total Operating Revenues	<u>1,840,879</u>	<u>1,741,191</u>
Other Revenues:		
Bequests	597,651	744,416
Total Unrestricted Revenues and Bequests	<u>2,438,530</u>	<u>2,485,607</u>
Expenses:		
Program	2,704,518	2,572,466
Development and Public Relations	618,674	656,190
Management and General	437,753	425,609
Total Expenses	<u>3,760,945</u>	<u>3,654,265</u>
Decrease in Unrestricted Net Assets Before Investment Gains (Losses)	(1,322,415)	(1,168,658)
Investment Gains (Losses)	<u>(736,730)</u>	<u>1,111,861</u>
Decrease in Unrestricted Net Assets	<u>(2,059,145)</u>	<u>(56,797)</u>

See accompanying notes to consolidated financial statements.

# Little Brothers - Friends of the Elderly (Chicago)

## Consolidated Statements of Activities

For the Years Ended September 30, 2015 and 2014

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	<u>2015</u>	<u>2014</u>
<b>Temporarily Restricted Net Assets</b>		
Changes in Temporarily Restricted Net Assets		
Revenues		
Restricted Contributions	135,519	72,678
Interest and Dividends	49,845	36,371
Investment Gains (Losses)	(112,267)	148,329
Funds Appropriated for Expenditure	(75,225)	(75,225)
Net Assets Released from Restrictions		
By Satisfaction of Program Restriction	<u>(53,216)</u>	<u>(131,146)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(55,344)</u>	<u>51,007</u>
<b>Decrease in Net Assets</b>	<u><b>\$ (2,114,489)</b></u>	<u><b>\$ (5,790)</b></u>

See accompanying notes to consolidated financial statements.

## Little Brothers - Friends of the Elderly (Chicago)

### Consolidated Statements of Changes in Net Assets

For the Years Ended September 30, 2015 and 2014

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	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Net Assets</u>
Balance at September 30, 2013	\$ 18,126,029	\$ 548,635	\$ 1,504,500	\$ 20,179,164
Increase (Decrease) in Net Assets, Year Ended September 30, 2014	<u>(56,797)</u>	<u>51,007</u>	<u>-</u>	<u>(5,790)</u>
Balance at September 30, 2014	18,069,232	599,642	1,504,500	20,173,374
Decrease in Net Assets, Year Ended September 30, 2015	<u>(2,059,145)</u>	<u>(55,344)</u>	<u>-</u>	<u>(2,114,489)</u>
Balance at September 30, 2015	<u><u>\$ 16,010,087</u></u>	<u><u>\$ 544,298</u></u>	<u><u>\$ 1,504,500</u></u>	<u><u>\$ 18,058,885</u></u>

See accompanying notes to consolidated financial statements.



# Little Brothers - Friends of the Elderly (Chicago)

## Consolidated Statement of Functional Expenses

For the Year Ended September 30, 2015

	<b>Program Services</b>		
	<b>Visiting</b>	<b>Direct Services</b>	<b>Social Activities</b>
Expenses Relating to Human Resources:			
Salaries and Payroll Taxes	\$ 839,975	\$ 194,770	\$ 376,230
Staff Insurance and 403(b) Pension Plan	117,653	22,557	54,222
Staff Development and Recognition	11,861	2,019	4,853
Volunteer Recognition	8,920	1,803	7,160
Expenses Relating to Program Only:			
Food, Supplies, Materials for Programs	35,434	2,644	122,837
Entertainment and Gifts for the Elderly	17,867	11,100	32,371
Vehicle and Transportation	67,653	1,586	22,418
Donated Goods	16,040	45,587	19,417
General and Administrative Expenses:			
Occupancy	58,149	12,448	29,922
Telephone	19,026	2,705	8,838
Postage	10,917	1,360	3,269
Printing, Copying and Advertising	14,897	1,772	5,284
Office and Miscellaneous	21,827	4,392	11,970
General Development	-	-	-
Depreciation	104,567	15,043	36,159
Legal, Audit and Consultants' Fees	54,260	9,658	23,214
Investment and Advisory Fees	-	-	-
Travel	-	-	-
<b>Total</b>	<b>\$ 1,399,046</b>	<b>\$ 329,444</b>	<b>\$ 758,164</b>

See accompanying notes to consolidated financial statements.

<b>Supporting Services</b>				
<b>Elder Vacation Services</b>	<b>Program Total</b>	<b>Development and Public Relations</b>	<b>Management and General</b>	<b>Total</b>
\$ 62,460	\$ 1,473,435	\$ 268,676	\$ 242,618	\$ 1,984,729
9,002	203,434	35,897	25,769	265,100
806	19,539	189	4,368	24,096
1,179	19,062	304	49	19,415
27,582	188,497	3,990	-	192,487
15,791	77,129	1,100	62	78,291
2,071	93,728	126	81	93,935
844	81,888	-	2,533	84,421
49,889	150,408	6,933	3,552	160,893
3,328	33,897	1,240	5,517	40,654
2,528	18,074	113,329	754	132,157
8,012	29,965	72,978	83	103,026
2,828	41,017	3,258	7,788	52,063
-	-	3,480	-	3,480
24,196	179,965	3,149	21,504	204,618
7,089	94,221	99,947	43,665	237,833
-	-	-	79,410	79,410
259	259	4,078	-	4,337
<b>\$ 217,864</b>	<b>\$ 2,704,518</b>	<b>\$ 618,674</b>	<b>\$ 437,753</b>	<b>\$ 3,760,945</b>

See accompanying notes to consolidated financial statements.

## Little Brothers - Friends of the Elderly (Chicago)

### Consolidated Statement of Functional Expenses

For the Year Ended September 30, 2014

	Program Services		
	Visiting	Direct Services	Social Activities
Expenses Relating to Human Resources:			
Salaries and Payroll Taxes	\$ 782,481	\$ 185,669	\$ 351,755
Staff Insurance and 403(b) Pension Plan	109,340	20,834	50,076
Staff Development and Recognition	5,967	1,103	2,652
Volunteer Recognition	11,195	2,419	8,237
Expenses Relating to Program Only:			
Food, Supplies, Materials for Programs	29,680	1,978	122,746
Entertainment and Gifts for the Elderly	12,646	13,017	34,171
Vehicle and Transportation	65,282	1,307	22,220
Donated Goods	16,796	47,999	20,363
General and Administrative Expenses:			
Occupancy	55,060	11,524	27,700
Telephone	17,004	2,334	8,051
Real Estate Tax	-	-	-
Postage	10,102	1,248	3,000
Printing, Copying and Advertising	16,758	1,709	4,744
Office and Miscellaneous	7,532	1,236	4,547
Data Processing and Computer	13,564	2,904	6,980
General Development	131	28	68
Depreciation	138,285	11,144	26,786
Legal, Audit and Consultants' Fees	52,130	7,511	19,454
Investment and Advisory Fees	-	-	-
Travel	2,282	488	1,174
	<b>\$ 1,346,235</b>	<b>\$ 314,452</b>	<b>\$ 714,724</b>

See accompanying notes to consolidated financial statements.

<b>Supporting Services</b>				
<b>Elder Vacation Services</b>	<b>Program Total</b>	<b>Development and Public Relations</b>	<b>Management and General</b>	<b>Total</b>
\$ 58,397	\$ 1,378,302	\$ 302,163	\$ 227,696	\$ 1,908,161
8,313	188,563	37,432	25,899	251,894
440	10,162	438	2,123	12,723
1,100	22,951	372	89	23,412
24,891	179,295	-	-	179,295
9,296	69,130	-	41	69,171
2,730	91,539	153	305	91,997
892	86,050	-	3,101	89,151
43,052	137,336	6,418	3,287	147,041
1,469	28,858	1,400	4,950	35,208
16,013	16,013	-	-	16,013
798	15,148	105,137	732	121,017
682	23,893	83,247	513	107,653
10,032	23,347	7,634	1,706	32,687
1,159	24,607	263	5,286	30,156
11	238	3,304	41	3,583
4,447	180,662	3,637	11,636	195,935
13,138	92,233	104,498	40,944	237,675
-	-	-	93,506	93,506
195	4,139	94	3,754	7,987
<b>\$ 197,055</b>	<b>\$ 2,572,466</b>	<b>\$ 656,190</b>	<b>\$ 425,609</b>	<b>\$ 3,654,265</b>

See accompanying notes to consolidated financial statements.

## Little Brothers - Friends of the Elderly (Chicago)

### Consolidated Statements of Cash Flows

For the Years Ended September 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities</b>		
Decrease in Net Assets	\$ (2,114,489)	\$ (5,790)
<u>Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Used by Operating Activities</u>		
Depreciation	204,618	195,935
Investment (Gains) Losses	737,802	(1,260,190)
Donated Stock	(49,093)	(20,038)
(Increase) Decrease in:		
Note Receivable	9,000	750
Other Receivables	(22,707)	780
Prepaid Expenses	7,424	(10,411)
Deposits	(14,186)	(4,314)
Increase (Decrease) in:		
Accounts Payable	2,385	22,480
Accrued Expenses	(3,681)	33,628
Net Cash Used by Operating Activities	(1,242,927)	(1,047,170)
<b>Cash Flows from Investing Activities</b>		
Purchase of Property and Equipment	(73,751)	(964,161)
Purchase of Investments	(785,354)	(4,229,040)
Sale of Investments	2,243,289	6,171,003
Net Cash Provided by Investing Activities	1,384,184	977,802
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	141,257	(69,368)
<b>Cash and Cash Equivalents, Beginning of Year</b>	81,350	150,718
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 222,607</b>	<b>\$ 81,350</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash Paid for Income Taxes	\$ -	\$ -
Cash Paid for Interest	\$ -	\$ -
<b>Non-cash Investing and Financing Activities</b>		
Donated Stock	<b>\$ 49,093</b>	<b>\$ 20,038</b>

See accompanying notes to consolidated financial statements.

# **Little Brothers - Friends of the Elderly (Chicago)**

## **Notes to Consolidated Financial Statements**

**For the Years Ended September 30, 2015 and 2014**

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### **Note 1 – Summary of Significant Accounting Policies**

#### Organization

Little Brothers – Friends of the Elderly (Chicago) (“the Organization”) is member of the Little Brothers – Friends of the Elderly Network (“LBFE Network” or “Network”). The LBFE Network was formed during 2009. Prior to the formation of the Network, the Organization was an affiliate member of Little Brothers – Friends of the Elderly (“National”). Little Brothers – Friends of the Elderly is a recognized community expert and resource on a myriad of issues pertaining to aging. The Organization is a non-for-profit, non-sectarian, volunteer-based organization that provides friendship and support to isolated and lonely elderly people of Chicago. To achieve this goal, the Organization and volunteers provide activities such as visiting, social activities group, holiday parties, summer vacations, emergency transportation and food assistance.

Chicago Friends of the Elderly Foundation (“the Foundation”) was formed in February 2006, and is a foundation whose sole purpose is to operate exclusively for the benefit of Little Brothers – Friends of the Elderly (Chicago).

#### Basis of Consolidation

The consolidated financial statements include the accounts of Little Brothers – Friends of the Elderly (Chicago) and Chicago Friends of the Elderly Foundation. All significant inter-company accounts and transactions have been eliminated in consolidation.

#### Basis of Accounting

The financial statements of the Organization and Foundation have been prepared on the accrual basis of accounting under U.S. generally accepted accounting principals and, accordingly, all significant assets, liabilities, revenues, and expenses have been recognized in the statements. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

#### 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

All highly liquid investments, including U.S. Treasury Bills and Bank Commercial Paper with a maturity date at time of purchase of three months or less, to be cash equivalents.

#### Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes would be reported as temporarily restricted or permanently restricted support that would increase those net asset classes. Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the contributions are made.

# Little Brothers - Friends of the Elderly (Chicago)

## Notes to Consolidated Financial Statements

For the Years Ended September 30, 2015 and 2014

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### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Investments

Investments in marketable securities and mutual funds are stated at their fair values. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains are recorded as unrestricted net assets unless restricted by the donor or by law.

The Organization adopted provision of FASB ASC 820-10, which provides a framework for measuring fair value under GAAP. That standard defines fair value as the exchange price that would be received for an asset or paid for a liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The standard also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

#### Property & Equipment

All expenditures for property and equipment in excess of \$1,000 are capitalized. Property and equipment are stated at cost or, if donated, at estimated fair value at the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Useful Lives</u>
Buildings	20-40 years
Building Improvements	3-40 years
Furniture and Equipment	3-10 years
Vehicles	3-5 years

#### Donated Materials

A substantial number of individuals and corporations have donated food and other materials to the Organization's program to serve the needy elderly. The value of these donated goods is estimated at fair market values of \$84,420 in 2015 and \$89,150 in 2014 and have been included in revenues and expenses.

#### Donated Services

A substantial number of unpaid volunteers donated significant amounts of their time to the Organization's programs. The estimated fair market value of the time and services was \$836,187 and \$737,678 for the years ended September 30, 2015 and 2014, respectively. The services provided by these volunteers do not meet the requirements for recognition in the financial statements and, accordingly, have not been included in revenues and program expenses.

#### Bequests

The Organization occasionally receives bequests which are recognized as increases in net assets in the period in which the probate court declares the will valid and the amount to be received has been determined or upon receipt of the assets, whichever is earlier.

# Little Brothers - Friends of the Elderly (Chicago)

## Notes to Consolidated Financial Statements

For the Years Ended September 30, 2015 and 2014

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### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Similarly, the Organization is exempt from Illinois income taxes. Contributions to the Organization are tax deductible as the Organization qualifies under Section 170(c) of the Internal Revenue Code. In addition, the Organization has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Foundation has received its Advance Ruling from the Internal Revenue Service and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Foundation are tax deductible as the Foundation qualifies under Section 170(b) of the Internal Revenue Code. The Foundation has been classified as a public charity.

The Organization files U.S. federal and Illinois state informational tax returns. The federal and state informational tax returns of the Organization for tax years 2014, 2013 and 2012 can be subject to examinations by tax authorities, generally for three years after they were filed. The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. At September 30, 2015 there was no interest or penalties relating to income taxes recognized in the statement of activities.

#### Subsequent Events

Management has evaluated subsequent events through February 16, 2016, the date the financial statements were available to be issued.

### Note 2 – Investments

The investments itemized below are considered Level 1 investments which are measured at fair value using the market approach. The market approach values assets at quoted prices in active markets for identical assets.

Investments consist primarily of the following:

	<u>2015</u>	<u>2014</u>
Cash Investments	\$ 330,903	\$ 489,974
Marketable Equity Securities	9,952,252	11,539,473
Mutual Funds	<u>4,971,635</u>	<u>5,371,987</u>
Total	<u>\$ 15,254,790</u>	<u>\$ 17,401,434</u>



# Little Brothers - Friends of the Elderly (Chicago)

## Notes to Consolidated Financial Statements

For the Years Ended September 30, 2015 and 2014

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### Note 3 – Note Receivable

On August 21, 2013 the Organization provided an interest free loan of \$18,000 to Little Brothers-Friends of the Elderly, San Francisco. The loan is scheduled to be repaid in consecutive monthly installments of \$750 beginning September 1, 2014 and continuing each month until September 1, 2016. Loan balance at September 30, 2015 and 2014 was \$8,250 and \$17,250, respectively.

### Note 4 – Property and Equipment

Property and equipment consists of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 446,482	\$ 446,482
Building and Improvements	2,808,188	2,770,881
Furniture and Equipment	599,110	562,667
Vehicles	<u>419,728</u>	<u>439,878</u>
Total	4,273,508	4,219,908
Less: Accumulated Depreciation	<u>(1,571,895)</u>	<u>(1,387,428)</u>
Net Property and Equipment	<u>\$ 2,701,613</u>	<u>\$ 2,832,480</u>

### Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2015 are comprised of \$135,519 for specific programs and \$408,779 of endowment earnings which have not yet been appropriated for expenditure. Assets restricted for specific programs will be released from restrictions as specific program expenses are incurred. Assets relating to endowment fund earnings will be released from restrictions as they are appropriated for expenditure. Total assets temporarily restricted were \$544,298 and \$599,642 at September 30, 2015 and 2014 respectively.

### Note 6 – Permanently Restricted Assets

The William A. Burns Endowment Fund is a permanent endowment fund whose earnings are unrestricted and may be used for any purpose that falls within the scope of the Organization's mission. As of September 30, 2015 and 2014 the principal balance of the fund was \$1,504,500.

# **Little Brothers - Friends of the Elderly (Chicago)**

## **Notes to Consolidated Financial Statements**

**For the Years Ended September 30, 2015 and 2014**

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### **Note 7 – Dues Paid to National and LBFE Network**

#### Membership Contributions - Little Brothers – Friends of The Elderly Network

During 2009, the Organization entered into the “Little Brothers – Friends of The Elderly Chapter Membership Agreement”. This agreement dissolves Little Brothers – Friends of The Elderly (National) and forms Little Brothers – Friends of The Elderly Network (“LBFE Network”).

The LBFE Network agreement provides for each member to contribute an initial and annual amount equal to two percent (2%) of unrestricted donations other than bequests, received by the chapter during the twelve month period ending on the last day of the Chapter’s fiscal year. Each Chapter’s annual membership contribution is limited to the lesser of two percent (2%) of unrestricted donations other than bequests, received by the Chapter during the twelve-month period ending on the last day of The Chapter’s fiscal year or seven thousand dollars. The LBFE Network agreed not to charge the Organization its annual payment for the years ended September 30, 2015 and 2014. For the year ended September 30, 2015 the Organization did not make any payments. For the year ended September 30, 2014 the Organization paid dues of \$2,850.

### **Note 8 – 403(b) Pension Plan**

The Organization provides employee benefits under an Internal Revenue Code Section 403(b) pension plan covering substantially all employees meeting certain service requirements. Contributions to the plan are equal to 2.5% of total compensation paid to participants during the plan year. Employer discretionary contributions for eligible participants are determined by resolution at the Employer’s sole discretion. Total contributions were \$56,486 and \$44,337 for the years ended September 30, 2015 and 2014, respectively.

### **Note 9 - Endowment Fund**

The Organization’s endowment fund consists solely of the William A. Burns Endowment Fund. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The earnings from the William A. Burns Endowment Fund are unrestricted and may be used for any purpose that falls within the Organization’s mission.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by Illinois, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In

# Little Brothers - Friends of the Elderly (Chicago)

## Notes to Consolidated Financial Statements

For the Years Ended September 30, 2015 and 2014

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### Note 9 - Endowment Fund (Continued)

accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

#### Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return over the last 5 years to be approximately 7% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

#### Spending Policy

The Organization has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 2% annually, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

## Little Brothers - Friends of the Elderly (Chicago)

### Notes to Consolidated Financial Statements

For the Years Ended September 30, 2015 and 2014

#### Note 9 - Endowment Fund (Continued)

Endowment net asset composition by type of fund as of September 30, 2015 and 2014 is as follows:

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment Net Assets at October 1, 2014	\$ 556,370	\$ 1,504,500	\$ 2,060,870
Investment Income	49,845	-	49,845
Net Appreciation	(112,267)	-	(112,267)
Amount Appropriated For Expenditure	(75,225)	-	(75,225)
Net Assets Released from Restrictions - Endowment Fund Investment Fees	(9,944)	-	(9,944)
Endowment Net Assets at September 30, 2015	\$ 408,779	\$ 1,504,500	\$ 1,913,279

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment Net Assets at October 1, 2013	\$ 457,885	\$ 1,504,500	\$ 1,962,385
Investment Income	36,371	-	36,371
Net Appreciation	148,329	-	148,329
Amount Appropriated For Expenditure	(75,225)	-	(75,225)
Net Assets Released from Restrictions - Endowment Fund Investment Fees	(10,990)	-	(10,990)
Endowment Net Assets at September 30, 2014	\$ 556,370	\$ 1,504,500	\$ 2,060,870