



KESSLER ORLEAN SILVER  
CERTIFIED PUBLIC ACCOUNTANTS

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

**Consolidated Financial Statements**

**September 30, 2016 and 2015**

# 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, 2016 and 2015, 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, 2016 and 2015, 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 8, 2017

# Little Brothers - Friends of the Elderly (Chicago)

## Consolidated Statements of Financial Position

September 30, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Assets</b>		
Cash and Cash Equivalents	\$ 101,065	\$ 222,607
Investments - Organization	28,048	75,109
Investments - Organization - Restricted	2,003,108	1,913,279
Investments - Foundation	14,269,179	13,266,402
Note Receivable	-	8,250
Other Receivables	63,500	23,890
Prepaid Expenses	53,875	19,807
Deposits	93,950	55,500
Property and Equipment - Net	<u>2,572,650</u>	<u>2,701,613</u>
<b>Total Assets</b>	<u><u>\$ 19,185,375</u></u>	<u><u>\$ 18,286,457</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 39,374	\$ 62,495
Accrued Expenses	<u>145,969</u>	<u>165,077</u>
<b>Total Liabilities</b>	<u>185,343</u>	<u>227,572</u>
<b>Net Assets</b>		
Unrestricted	16,813,244	16,010,087
Temporarily Restricted	682,288	544,298
Permanently Restricted	<u>1,504,500</u>	<u>1,504,500</u>
<b>Total Net Assets</b>	<u>19,000,032</u>	<u>18,058,885</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 19,185,375</u></u>	<u><u>\$ 18,286,457</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Unrestricted Net Assets</b>		
Changes in Unrestricted Net Assets		
Operating Revenues:		
Contributions, General	\$ 810,808	\$ 853,136
Contributions, Planned Gifts	17,011	93,707
Trusts	75,010	12,359
Grants - Corporate and Foundation	204,700	256,600
Special Events	527	14,430
Donated Materials	98,325	84,420
Interest and Dividends	211,997	357,795
Other Revenue	28,308	39,991
Funds Appropriated for Expenditure	75,225	75,225
Net Assets Released from Restrictions		
By Satisfaction of Program Restriction	146,396	53,216
Total Operating Revenues	<u>1,668,307</u>	<u>1,840,879</u>
Other Revenues:		
Bequests	2,103,322	597,651
Total Unrestricted Revenues and Bequests	<u>3,771,629</u>	<u>2,438,530</u>
Expenses:		
Program	2,910,973	2,704,518
Development and Public Relations	690,700	618,674
Management and General	410,678	437,753
Total Expenses	<u>4,012,351</u>	<u>3,760,945</u>
Decrease in Unrestricted Net Assets Before Investment Gains (Losses)	(240,722)	(1,322,415)
Investment Gains (Losses)	<u>1,043,879</u>	<u>(736,730)</u>
Increase (Decrease) in Unrestricted Net Assets	<u>803,157</u>	<u>(2,059,145)</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, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
<b>Temporarily Restricted Net Assets</b>		
Changes in Temporarily Restricted Net Assets		
Revenues		
Restricted Contributions	185,372	135,519
Interest and Dividends	34,615	49,845
Investment Gains (Losses)	139,624	(112,267)
Funds Appropriated for Expenditure	(75,225)	(75,225)
Net Assets Released from Restrictions		
By Satisfaction of Program Restriction	<u>(146,396)</u>	<u>(53,216)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>137,990</u>	<u>(55,344)</u>
<b>Increase (Decrease) in Net Assets</b>	<u><b>\$ 941,147</b></u>	<u><b>\$ (2,114,489)</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, 2016 and 2015

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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, 2014	\$ 18,069,232	\$ 599,642	\$ 1,504,500	\$ 20,173,374
Increase (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	16,010,087	544,298	1,504,500	18,058,885
Decrease in Net Assets, Year Ended September 30, 2016	<u>803,157</u>	<u>137,990</u>	<u>-</u>	<u>941,147</u>
Balance at September 30, 2016	<u><u>\$ 16,813,244</u></u>	<u><u>\$ 682,288</u></u>	<u><u>\$ 1,504,500</u></u>	<u><u>\$ 19,000,032</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, 2016

	Program Services		
	Visiting	Direct Services	Social Activities
Expenses Relating to Human Resources:			
Salaries and Payroll Taxes	\$ 918,383	\$ 211,729	\$ 417,506
Staff Insurance and 403(b) Plan	135,013	26,054	62,627
Staff Development and Recognition	3,092	544	1,307
Volunteer Recognition	8,429	1,714	6,680
Expenses Relating to Program Only:			
Food, Supplies, Materials for Programs	31,073	1,809	136,161
Entertainment and Gifts for the Elderly	13,142	15,215	43,073
Vehicle and Transportation	72,008	1,291	21,211
Donated Goods	18,682	53,095	19,665
General and Administrative Expenses:			
Occupancy	50,149	10,700	25,721
Telephone	18,928	2,558	8,809
Postage	9,458	745	1,790
Printing, Copying and Advertising	10,753	1,036	2,490
Office and Miscellaneous	21,373	3,835	11,162
General Development	334	22	53
Depreciation	94,653	5,875	14,121
Legal, Audit and Consultants' Fees	135,141	11,487	27,125
Investment and Advisory Fees	-	-	-
Travel	1,947	145	349
<b>Total</b>	<b>\$ 1,542,558</b>	<b>\$ 347,854</b>	<b>\$ 799,850</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>
\$ 69,312	\$ 1,616,930	\$ 279,931	\$ 250,494	\$ 2,147,355
10,397	234,091	30,073	29,355	293,519
217	5,160	544	1,456	7,160
662	17,485	633	717	18,835
28,222	197,265	-	233	197,498
9,749	81,179	68	71	81,318
1,455	95,965	136	365	96,466
3,933	95,375	-	2,950	98,325
39,056	125,626	5,923	3,172	134,721
3,171	33,466	1,277	4,806	39,549
297	12,290	142,148	340	154,778
413	14,692	97,404	-	112,096
4,968	41,338	1,296	9,039	51,673
9	418	7,470	48	7,936
36,781	151,430	3,282	1,642	156,354
11,261	185,014	120,333	32,214	337,561
-	-	-	72,865	72,865
808	3,249	182	911	4,342
<b>\$ 220,711</b>	<b>\$ 2,910,973</b>	<b>\$ 690,700</b>	<b>\$ 410,678</b>	<b>\$ 4,012,351</b>

See accompanying notes to consolidated financial statements.

# Little Brothers - Friends of the Elderly (Chicago)

## Consolidated Statement of Functional Expenses

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) 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 Statements of Cash Flows

For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Increase (Decrease) in Net Assets	\$ 941,147	\$ (2,114,489)
<u>Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Used by Operating Activities</u>		
Depreciation	156,354	204,618
Investment (Gains) Losses	(1,183,503)	848,997
Donated Stock	(15,193)	(49,093)
(Increase) Decrease in:		
Note Receivable	8,250	9,000
Other Receivables	(39,610)	(22,707)
Prepaid Expenses	(34,068)	7,424
Deposits	(38,450)	(14,186)
Increase (Decrease) in:		
Accounts Payable	(23,121)	2,385
Accrued Expenses	(19,108)	(3,681)
Total Adjustments	<u>(1,188,449)</u>	<u>982,757</u>
Net Cash Used by Operating Activities	<u>(247,302)</u>	<u>(1,131,732)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property and Equipment	(27,391)	(73,751)
Purchase of Investments	(4,103,687)	(896,549)
Sale of Investments	4,256,838	2,243,289
Net Cash Provided by Investing Activities	<u>125,760</u>	<u>1,272,989</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(121,542)	141,257
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>222,607</u>	<u>81,350</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 101,065</u></u>	<u><u>\$ 222,607</u></u>

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, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash Paid for Income Taxes	<u>\$ -</u>	<u>\$ -</u>
Cash Paid for Interest	<u>\$ -</u>	<u>\$ -</u>
<b>Non-cash Investing and Financing Activities</b>		
Donated Stock	<u>\$ 15,193</u>	<u>\$ 49,093</u>

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, 2016 and 2015**

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

#### Organization

Little Brothers - Friends of the Elderly, Chicago Chapter (“the Organization”) is a nonprofit, nonsectarian, volunteer-based organization dedicated to bringing friendship and support to isolated and lonely Chicagoans over the age of 70. For those elders who find themselves without friends or family, the Organization offers year-round opportunities to make new meaningful relationships. Little Brothers’ services and activities remind our elders they are important members of society and help keep them connected to their community. These include home visits, holiday parties and monthly celebrations, summer vacations, transportation to and from events, as well as 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 principles 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, 2016 and 2015

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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 elderly. The value of these donated goods is estimated at fair market values of \$98,325 in 2016 and \$84,420 in 2015 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 \$829,657 and \$836,187 for the years ended September 30, 2016 and 2015, 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, 2016 and 2015

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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 2015, 2014 and 2013 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, 2016 there was no interest or penalties relating to income taxes recognized in the statement of activities.

The Organization is also exempt from local real estate taxes in Illinois.

#### Subsequent Events

Management has evaluated subsequent events through February 8, 2017, 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. The Organization has a professional investment advisor and manager.

Investments consist primarily of the following:

	<u>2016</u>	<u>2015</u>
Cash Investments	\$ 842,275	\$ 330,903
Marketable Equity Securities	10,711,676	9,952,252
Mutual Funds	<u>4,746,384</u>	<u>4,971,635</u>
Total	<u>\$ 16,300,335</u>	<u>\$ 15,254,790</u>

# Little Brothers - Friends of the Elderly (Chicago)

## Notes to Consolidated Financial Statements

For the Years Ended September 30, 2016 and 2015

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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, 2016 and 2015 was \$0 and \$8,250, respectively.

### Note 4 – Property and Equipment

Property and equipment consists of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 446,482	\$ 446,482
Building and Improvements	2,835,579	2,808,188
Furniture and Equipment	599,110	599,110
Vehicles	<u>405,330</u>	<u>419,728</u>
Total	4,286,501	4,273,508
Less: Accumulated Depreciation	<u>(1,713,851)</u>	<u>(1,571,895)</u>
Net Property and Equipment	<u>\$ 2,572,650</u>	<u>\$ 2,701,613</u>

### Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2016 are comprised of \$183,680 for specific programs and \$498,608 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 \$682,288 and \$544,298 at September 30, 2016 and 2015 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, 2016 and 2015 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, 2016 and 2015**

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

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

The Organization is a member of an LLC formed to hold certain Little Brothers' trademark and branding rights and enforce certain protocols primarily related to the members' use of the rights. The other LLC members are also Little Brothers-branded nonprofits in other U.S. cities. At September 30, 2016 and 2015, and for those fiscal years, the agency had no capital investment in the LLC and the LLC had no operating revenue or expenses. 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, 2016 and 2015.

### **Note 8 – 403(b) Plan**

The Organization provides employee benefits under an Internal Revenue Code Section 403(b) 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 \$69,829 and \$56,486 for the years ended September 30, 2016 and 2015, 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, 2016 and 2015

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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 of 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, 2016 and 2015

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

Endowment net asset composition by type of fund as of September 30, 2016 and 2015 is as follows:

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment Net Assets at October 1, 2015	\$ 408,779	\$ 1,504,500	\$ 1,913,279
Investment Income	34,615	-	34,615
Net Appreciation	139,624	-	139,624
Amount Appropriated For Expenditure	(75,225)	-	(75,225)
Net Assets Released from Restrictions - Endowment Fund Investment Fees	(9,185)	-	(9,185)
Endowment Net Assets at September 30, 2016	<u>\$ 498,608</u>	<u>\$ 1,504,500</u>	<u>\$ 2,003,108</u>
	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	<u>\$ 408,779</u>	<u>\$ 1,504,500</u>	<u>\$ 1,913,279</u>

#### Note 10 - Concentration of Credit Risk

##### Concentration of Revenue

Bequest revenue from one donor totaled \$1,312,037, which represent 35% of total revenue for the year ended September 30, 2016. Total bequest for the year were \$2,103,322, which represent 56% of total revenue for the year ended September 30, 2016.