

Polk Bros. Foundation, Inc.

Financial Report
August 31, 2015

Polk Bros. Foundation, Inc.

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Independent Auditor's Report

To the Board of Directors
Polk Bros. Foundation, Inc.

We have audited the accompanying financial statements of Polk Bros. Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of August 31, 2015 and 2014 and the related statements of activities and changes in net assets 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Polk Bros. Foundation, Inc. as of August 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.

To the Board of Directors
Polk Bros. Foundation, Inc.

Emphasis of Matter

As disclosed in Note 2, the financial statements include investments valued at \$156.5 million (35 percent of net assets) at August 31, 2015 and at \$157.4 million (33 percent of net assets) at August 31, 2014, whose fair value has been estimated in the absence of observable inputs used to determine the market value. Management's estimates are based on information provided by the investment managers. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

November 10, 2015

Polk Bros. Foundation, Inc.

Statement of Financial Position

	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Assets		
Cash and cash equivalents	\$ 4,287,507	\$ 7,622,541
Investments	442,302,249	466,722,337
Other assets:		
Prepaid expenses	179,316	181,419
Refundable taxes	245,993	143,000
Total assets	<u>\$ 447,015,065</u>	<u>\$ 474,669,297</u>
Liabilities and Net Assets		
Current Liabilities - Deferred excise tax	<u>\$ 1,044,649</u>	<u>\$ 2,684,080</u>
Net Assets - Unrestricted	<u>445,970,416</u>	<u>471,985,217</u>
Total liabilities and net assets	<u>\$ 447,015,065</u>	<u>\$ 474,669,297</u>

Polk Bros. Foundation, Inc.

Statement of Activities and Changes in Net Assets

	Year Ended	
	August 31, 2015	August 31, 2014
Revenue, Gains, and Other Support		
Dividends from investments other than partnerships	\$ 1,946,709	\$ 3,331,872
Interest from investments other than partnerships	6,592	20,570
Net realized gains from partnerships	6,419,518	4,806,078
Net realized (losses) gains from sales of securities other than partnerships	(1,646,520)	271,163
Unrealized (losses) gains from investments	(11,284,449)	52,487,233
Capital gain dividends	7,259,382	4,777,627
Miscellaneous income	8,863	2,156
Total revenue, gains, and other support	2,710,095	65,696,699
Grants and Other Expenses		
Grants	27,220,578	21,124,619
Support services:		
Administrative expenses	2,411,136	2,547,050
Investment expenses	235,804	203,128
Deferred excise tax (income) expense	(1,639,431)	789,103
Provision for excise and income taxes	496,809	626,683
Total grants and other expenses	28,724,896	25,290,583
(Decrease) Increase in Net Assets	(26,014,801)	40,406,116
Net Assets - Beginning of year	471,985,217	431,579,101
Net Assets - End of year	\$ 445,970,416	\$ 471,985,217

Polk Bros. Foundation, Inc.

Statement of Cash Flows

	Year Ended	
	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Cash Flows from Operating Activities		
(Decrease) increase in net assets	\$ (26,014,801)	\$ 40,406,116
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Net realized gains from partnerships	(6,419,518)	(4,806,078)
Net realized losses (gains) from sales of securities	1,646,520	(271,163)
Change in unrealized losses (gains) on investments	11,284,449	(52,487,233)
Prepaid excise and income taxes	(102,993)	143,000
Prepaid expenses	2,103	(6,177)
Accrued excise and income taxes	-	(732,000)
Deferred excise tax	<u>(1,639,431)</u>	<u>789,103</u>
Net cash used in operating activities	(21,243,671)	(16,964,432)
Cash Flows from Investing Activities		
Proceeds from sales of securities	42,174,682	10,639,034
Purchases of securities	(23,786,000)	(15,000,000)
Purchases of partnership interests	(58,115,752)	(31,150,284)
Liquidating distributions and return of capital from partnerships	<u>57,635,707</u>	<u>53,245,758</u>
Net cash provided by investing activities	<u>17,908,637</u>	<u>17,734,508</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(3,335,034)	770,076
Cash and Cash Equivalents - Beginning of year	<u>7,622,541</u>	<u>6,852,465</u>
Cash and Cash Equivalents - End of year	<u>\$ 4,287,507</u>	<u>\$ 7,622,541</u>
Supplemental Disclosure of Cash Flow Information - Cash paid for taxes	<u>\$ 599,802</u>	<u>\$ 1,473,440</u>

Polk Bros. Foundation, Inc.

Notes to Financial Statements August 31, 2015 and 2014

Note I - Nature of Business and Significant Accounting Policies

Organization Purpose - Polk Bros. Foundation, Inc. (the "Foundation") is a private foundation that provides funds to not-for-profit organizations that seek to improve the quality of life in the Chicago area. Grants are primarily made for activities in the areas of building strong communities and strong families and providing quality education, preventive and primary health care, access to the arts, and systems and policies that support individual and community growth.

Classification of Net Assets - Net assets are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristic of donor-imposed restrictions. The Foundation's net assets consisted only of unrestricted net assets as of August 31, 2015 and 2014.

Cash Equivalents - The Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Foundation maintains its cash equivalents in bank deposit accounts, which exceed federally insured limits. Substantially all of the Foundation's cash equivalents are held at Northern Trust. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash equivalents.

Investments - Investments are reported at fair value. Investment income or loss (including realized gains and losses on investments, changes in unrealized holding gains and losses, interest, and dividends) on investments is included in the statement of activities and changes in net assets and is recorded on the accrual basis of accounting. Gains and losses on securities transactions are accounted for using the specific identification method.

Net realized gains and losses from sales of securities and from the sale of shares distributed by certain limited partnership investments are separately presented in the statement of activities and changes in net assets.

The Foundation's investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the financial statements.

Financial Instruments - A summary of the methods and significant assumptions used to estimate the fair values of the significant financial instruments is as follows:

Short-term Financial Instruments - The fair values of cash and cash equivalents approximate the carrying amounts in the accompanying financial statements due to the short maturity of such instruments.

Polk Bros. Foundation, Inc.

Notes to Financial Statements August 31, 2015 and 2014

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Investments - Investments are recorded at fair value in the accompanying financial statements. Fair value is determined based on the fair value measurement principles described in Note 2.

Furniture and Equipment - Purchases of furniture, equipment, and leasehold improvements are charged to expense rather than capitalized. As a result, depreciation expense is not reflected in the financial statements. This policy does not have a material effect on the financial statements as a whole.

Deferred Excise Taxes - The Foundation provides for deferred excise taxes, which represent taxes provided on the net unrealized appreciation of investments using a one percent and two percent tax rate for the years ending August 31, 2015 and 2014, respectively.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Tax Status - The Foundation is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. As a private foundation, the Foundation is subject to an excise tax of two percent on net investment income or one percent if the Foundation meets certain specified distribution requirements. In addition, the Foundation is subject to unrelated business income taxes on a portion of the income provided by certain investment partnerships. Total current federal excise tax expense for the years ended August 31, 2015 and 2014 was \$304,551 and \$507,308, respectively. Total deferred federal excise tax expense for the years ended August 31, 2015 and 2014 was (\$1,639,431) and \$789,103, respectively.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of August 31, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2012.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including November 10, 2015, which is the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at August 31, 2015 and 2014 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Polk Bros. Foundation, Inc.

Notes to Financial Statements August 31, 2015 and 2014

Note 2 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at August 31, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at August 31, 2015
Common stock funds:				
International	\$ 27,486,996	\$ -	\$ -	\$ 27,486,996
Large cap	43,161,377	-	-	43,161,377
Small and micro cap	26,255,899	-	-	26,255,899
Total common stock funds	96,904,272	-	-	96,904,272
Alternative investments:				
Private equity partnerships and funds	-	-	64,669,483	64,669,483
Hedged equity partnerships and funds	-	62,912,541	10,569,330	73,481,871
Absolute return partnerships and funds	-	64,311,250	-	64,311,250
Real estate partnerships and funds	-	-	27,216,152	27,216,152
Commodity partnerships and funds	-	-	29,136,457	29,136,457
Fixed-income partnerships and funds	21,724,118	-	24,971,436	46,695,554
Domestic and international equity partnerships and funds	-	39,887,210	-	39,887,210
Total alternative investments	21,724,118	167,111,001	156,562,858	345,397,977
Total assets	\$ 118,628,390	\$ 167,111,001	\$ 156,562,858	\$ 442,302,249

Polk Bros. Foundation, Inc.

Notes to Financial Statements August 31, 2015 and 2014

Note 2 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at August 31, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at August 31, 2014
Common stock funds:				
International	\$ 27,782,312	\$ -	\$ -	\$ 27,782,312
Large cap	58,154,610	-	-	58,154,610
Micro cap	17,473,191	-	-	17,473,191
Total common stock funds	103,410,113	-	-	103,410,113
Alternative investments:				
Private equity partnerships and funds	-	-	71,363,018	71,363,018
Hedged equity partnerships and funds	-	74,357,410	-	74,357,410
Absolute return equity partnerships and funds	-	63,442,887	-	63,442,887
Real estate partnerships and funds	-	-	29,508,590	29,508,590
Commodity partnerships and funds	-	-	36,612,023	36,612,023
Fixed-income partnerships and funds	26,808,133	-	19,926,576	46,734,709
Domestic and international equity partnerships and funds	-	41,293,587	-	41,293,587
Total alternative investments	26,808,133	179,093,884	157,410,207	363,312,224
Total assets	\$ 130,218,246	\$ 179,093,884	\$ 157,410,207	\$ 466,722,337

Level 1 Inputs - Estimated fair values for the Foundation's common stock funds and a portion of the fixed-income funds and partnerships are based on quoted market prices in active markets.

Level 2 Inputs - Level 2 alternative investments include investments in limited partnerships and funds that invest in: (1) hedged equity, (2) absolute return, and (3) domestic and international equity. The fair values of the investments are based on net asset values, which are based on the value of the underlying assets and liabilities of the funds. Those estimated fair values might differ significantly from the values that would have been used had a ready market for those securities existed.

Polk Bros. Foundation, Inc.

Notes to Financial Statements August 31, 2015 and 2014

Note 2 - Fair Value Measurements (Continued)

Level 3 Inputs - Level 3 alternative investments include investments in limited partnerships and funds that invest in: (1) private equity, (2) real estate, (3) commodities, and (4) fixed income. The fair values of these investments are based on net asset values, which are based on the value of the underlying assets and liabilities of the funds.

The following tables set forth a summary of the changes in the fair value of the Level 3 assets for the years ended August 31, 2015 and 2014.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) at August 31, 2015

	Fair Value at September 1, 2014	Total Gains or Losses (Realized and Unrealized) Included in Change in Net Assets	Purchases	Settlements	Fair Value at August 31, 2015
Private equity partnerships and funds	\$ 71,363,018	\$ 6,755,939	\$ 6,212,735	\$ (19,662,209)	\$ 64,669,483
Hedged equity partnerships and funds	-	569,330	10,000,000	-	10,569,330
Real estate partnerships and funds	29,508,590	2,865,014	1,568,721	(6,726,173)	27,216,152
Commodity partnerships and funds	36,612,023	(7,698,417)	3,243,542	(3,020,691)	29,136,457
Fixed-income partnerships and funds	19,926,576	44,860	5,000,000	-	24,971,436
Total Level 3 assets at fair value	\$ 157,410,207	\$ 2,536,726	\$ 26,024,998	\$ (29,409,073)	\$ 156,562,858

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) at August 31, 2014

	Fair Value at September 1, 2013	Total Gains or Losses (Realized and Unrealized) Included in Change in Net Assets	Purchases	Settlements	Fair Value at August 31, 2014
Private equity partnerships and funds	\$ 68,648,655	\$ 15,910,268	\$ 6,536,238	\$ (19,732,143)	\$ 71,363,018
Real estate partnerships and funds	29,226,283	2,512,860	3,719,285	(5,949,838)	29,508,590
Commodity partnerships and funds	37,589,253	4,510,392	4,466,153	(9,953,775)	36,612,023
Fixed-income partnerships	18,276,657	1,649,919	-	-	19,926,576
Total Level 3 assets at fair value	\$ 153,740,848	\$ 24,583,439	\$ 14,721,676	\$ (35,635,756)	\$ 157,410,207

Realized and unrealized gains and losses of \$2,677,378 and \$24,743,289 for the years ended August 31, 2015 and 2014, respectively, are reported in the statement of activities and changes in net assets relating to assets still held as of the reporting date.

Investments in Partnerships and Funds that Calculate Net Asset Value Per Share

The Foundation holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

Polk Bros. Foundation, Inc.

Notes to Financial Statements August 31, 2015 and 2014

Note 2 - Fair Value Measurements (Continued)

At year end, the fair value, unfunded commitments, and redemption rules for Level 2 and Level 3 investments are as follows:

Investments Held at August 31, 2015

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private equity partnerships and funds (a)	\$ 64,669,483	\$ 42,448,267	N/A	N/A
Hedged equity partnerships and funds (b)	73,481,871	-	Monthly, quarterly, semiannually, annually	30-90 days
Absolute return partnerships and funds (c)	64,311,250	-	Quarterly, semiannually, annually	45-100 days
Real estate partnerships and funds (a)	27,216,152	7,176,919	N/A	N/A
Commodity partnerships and funds (a)	29,136,457	16,019,837	N/A	N/A
Fixed-income partnerships and funds (d)	24,971,436	-	Quarterly	N/A
Domestic and international equity partnerships and funds (e)	39,887,210	-	Monthly, quarterly	5-90 days
Total	<u>\$ 323,673,859</u>	<u>\$ 65,645,023</u>		

Investments Held at August 31, 2014

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private equity partnerships and funds (a)	\$ 71,363,018	\$ 36,992,061	N/A	N/A
Hedged equity partnerships and funds (b)	74,357,410	-	Monthly, quarterly, semiannually, annually	30-90 days
Absolute return equity partnerships and funds (c)	63,442,887	-	Quarterly, annually	45-100 days
Real estate partnerships and funds (a)	29,508,590	6,170,624	N/A	N/A
Commodity partnerships and funds (a)	36,612,023	13,778,052	N/A	N/A
Fixed-income partnerships and funds (d)	19,926,576	-	Quarterly	N/A
Domestic and international equity partnerships and funds (e)	41,293,587	-	Semimonthly, monthly, quarterly	5-30 days
Total	<u>\$ 336,504,091</u>	<u>\$ 56,940,737</u>		

- (a) This category includes private equity, real estate, and commodities partnerships and funds. These investments are not redeemable. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the funds. The remaining terms of these investments range up to in excess of 10 years. The fair values of the investments in this category have been estimated using net asset value as the practical expedient provided by the investment managers.

Polk Bros. Foundation, Inc.

Notes to Financial Statements August 31, 2015 and 2014

Note 2 - Fair Value Measurements (Continued)

- (b) This category includes investments in hedge funds and partnerships, which invest both long and short, primarily in publicly traded securities. The fair values of the investments in this category have been estimated using the net asset value of the investments. As of August 31, 2015, all but one of the investments in this category have passed their initial lock-up periods. The investment that has not passed its initial lock-up period will do so January 1, 2016. After January 1, 2016, this investment may be redeemed quarterly. Some of the investments in this category include less liquid assets, which may be restricted from redemption until the asset is realized.
- (c) This category includes absolute return partnerships and funds, which invest in a variety of strategies and securities with the objective of achieving an absolute level of return. The fair values of the investments in this category have been estimated using the net asset value of the investments. As of August 31, 2015, all of the investments in this category have passed their initial lock-up periods. Some of the investments in this category include less liquid assets, which may be restricted from immediate redemption until the asset is realized.
- (d) This category includes investments in fixed-income partnerships and funds, which focus on global fixed-income arbitrage opportunities overlaying specified benchmarks, including the S&P 500 index and T-bills. The fair values of the investments in this category have been estimated using the net asset value of the investments. As of August 31, 2015, up to one third of the investments in this category can be redeemed annually.
- (e) This category includes investments in partnerships and funds, which focus primarily on long-only investments in domestic and international equity securities, as well as investments in international fixed-income securities. The fair values of the investments in this category have been estimated using the net asset value of the investments. As of August 31, 2015, all of the investments in this category can be redeemed with no restrictions.

Note 3 - Investments

Investments consisted of the following at August 31:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Common stock funds	\$ 85,065,473	\$ 96,904,272	\$ 82,068,004	\$ 103,410,113
Private equity partnerships and funds	35,714,038	64,669,483	42,028,536	71,363,018
Hedged equity partnerships and funds	37,625,905	73,481,871	34,747,406	74,357,410
Absolute return equity partnerships and funds	47,863,343	64,311,250	47,168,342	63,442,887
Real estate partnerships and funds	24,928,464	27,216,152	28,967,515	29,508,590
Commodity partnerships and funds	27,950,711	29,136,457	25,051,830	36,612,023
Fixed-income partnerships and funds	40,418,872	46,695,554	40,456,227	46,734,709
Domestic and international equity partnerships and funds	38,270,535	39,887,210	32,030,495	41,293,587
Total	<u>\$ 337,837,341</u>	<u>\$ 442,302,249</u>	<u>\$ 332,518,355</u>	<u>\$ 466,722,337</u>

Polk Bros. Foundation, Inc.

Notes to Financial Statements August 31, 2015 and 2014

Note 4 - Income from Partnerships/Gain from All Investments

A summary of the composition of the Foundation's income from partnerships from their individual tax returns is included below, along with a reconciliation to total gains from all investments:

	<u>2015</u>	<u>2014</u>
<u>Partnerships</u>		
Realized gains	\$ 6,419,518	\$ 4,806,078
Interest, dividends, and capital gain dividends	-	-
Net investment income from partnerships	6,419,518	4,806,078
Other sources of income from tax returns that are part of the Foundation's unrealized gains	<u>18,454,622</u>	<u>13,032,121</u>
Total income from tax returns	24,874,140	17,838,199
Additional change in unrealized (losses) gains	<u>(20,189,100)</u>	<u>28,660,705</u>
Total income from partnerships	4,685,040	46,498,904
Net realized (loss) gain from sales of securities other than partnerships	(1,646,520)	271,163
Capital gain dividends	7,259,382	4,777,627
Change in unrealized (loss) gain from investments other than partnerships	<u>(9,549,970)</u>	<u>10,794,407</u>
Total gain on investments	<u>\$ 747,932</u>	<u>\$ 62,342,101</u>

Note 5 - Lease Commitments

The future minimum lease payments are as follows:

<u>Years Ending August 31</u>	<u>Amount</u>
2016	\$ 127,948
2017	<u>108,390</u>
Total	<u>\$ 236,338</u>

Occupancy expense for 2015 and 2014 was \$233,379 and \$232,312, respectively.

Polk Bros. Foundation, Inc.

Notes to Financial Statements August 31, 2015 and 2014

Note 6 - Grants Approved but Not Paid

The Foundation has conditionally approved future grant commitments of \$20,210,000 and \$22,820,000 for the years ended August 31, 2015 and 2014, respectively. These amounts have not been recorded as liabilities because all grants are formally awarded on a year-by-year basis. In addition, the Foundation reserves the right to cancel a grant at any time if it determines that the organization receiving the grant is not administering the project and grant funds in accordance with the proposal approved by the Foundation's board.

Note 7 - Retirement Plan

The Foundation sponsors a defined contribution 401(k) plan for all eligible employees, as defined. The employees may make elective contributions to the 401(k) plan in accordance with IRS regulations. The Foundation made contributions to the 401(k) plan equal to between 10 percent and 12 percent of the eligible participants' compensation for 2015 and 2014.

Retirement expense for the years ended August 31, 2015 and 2014 amounted to \$143,317 and \$121,653, respectively.