

Polk Bros. Foundation, Inc.

**Financial Report
August 31, 2014**

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, 2014 and 2013 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, 2014 and 2013 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 Matters

As disclosed in Note 2, the financial statements include investments valued at \$157.4 million (33 percent of net assets) at August 31, 2014 and at \$153.7 million (35 percent of net assets) at August 31, 2013, 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 12, 2014

Polk Bros. Foundation, Inc.

Statement of Financial Position

	<u>August 31, 2014</u>	<u>August 31, 2013</u>
Assets		
Cash and cash equivalents	\$ 7,622,541	\$ 6,852,465
Investments	466,722,337	427,166,017
Other assets:		
Prepaid expenses	181,419	187,596
Refundable taxes	143,000	-
Total assets	<u>\$ 474,669,297</u>	<u>\$ 434,206,078</u>
Liabilities and Net Assets		
Accrued liabilities and other:		
Deferred excise tax	\$ 2,684,080	\$ 1,894,977
Accrued excise and income taxes	-	732,000
Total liabilities	2,684,080	2,626,977
Net Assets - Unrestricted	<u>471,985,217</u>	<u>431,579,101</u>
Total liabilities and net assets	<u>\$ 474,669,297</u>	<u>\$ 434,206,078</u>

Polk Bros. Foundation, Inc.

Statement of Activities and Changes in Net Assets

	Year Ended	
	August 31, 2014	August 31, 2013
Revenue, Gains, and Other Support		
Dividends from investments other than partnerships	\$ 3,331,872	\$ 2,583,612
Interest from investments other than partnerships	20,570	18,654
Net realized gains from partnerships	4,806,078	4,196,120
Net realized gains from sales of securities other than partnerships	271,163	491,704
Unrealized gains from investments	52,487,233	70,274,666
Capital gain dividends	4,777,627	4,461,603
Miscellaneous income	2,156	8,629
Total revenue, gains, and other support	65,696,699	82,034,988
Grants and Other Expenses		
Grants	21,124,619	20,022,465
Support services:		
Administrative expenses	2,547,050	2,346,668
Investment expenses	203,128	364,724
Deferred excise taxes	789,103	1,095,017
Provision for excise and income taxes	626,683	722,914
Total grants and other expenses	25,290,583	24,551,788
Increase in Net Assets	40,406,116	57,483,200
Net Assets - Beginning of year	431,579,101	374,095,901
Net Assets - End of year	<u>\$ 471,985,217</u>	<u>\$ 431,579,101</u>

Polk Bros. Foundation, Inc.

Statement of Cash Flows

	Year Ended	
	August 31, 2014	August 31, 2013
Cash Flows from Operating Activities		
Increase in net assets	\$ 40,406,116	\$ 57,483,200
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Net realized gains from partnerships	(4,806,078)	(4,347,664)
Net realized gains from sales of securities	(271,163)	(491,704)
Change in unrealized gains on investments	(52,487,233)	(70,274,666)
Prepaid excise and income taxes	143,000	105,000
Other assets	(6,177)	3,452
Accrued grant commitments	-	(800,000)
Accrued excise and income taxes	(732,000)	732,000
Deferred excise tax	789,103	1,095,017
Net cash used in operating activities	(16,964,432)	(16,495,365)
Cash Flows from Investing Activities		
Proceeds from sales of securities	10,639,034	12,710,088
Purchases of securities	(15,000,000)	(12,000,000)
Purchases of partnership interests	(31,150,284)	(35,028,486)
Liquidating distributions and return of capital from partnerships	53,245,758	51,366,797
Net cash provided by investing activities	17,734,508	17,048,399
Net Increase in Cash and Cash Equivalents	770,076	553,034
Cash and Cash Equivalents - Beginning of year	6,852,465	6,299,431
Cash and Cash Equivalents - End of year	<u>\$ 7,622,541</u>	<u>\$ 6,852,465</u>
Supplemental Disclosure of Cash Flow Information - Cash paid for taxes	<u>\$ 1,473,440</u>	<u>\$ 106,916</u>

Polk Bros. Foundation, Inc.

Notes to Financial Statements August 31, 2014 and 2013

Note 1 - 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 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, 2014 and 2013.

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 exceeds 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, 2014 and 2013

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 2 percent tax rate.

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, 2014 and 2013 was \$507,308 and \$591,053, respectively. Total deferred federal excise tax expense for the years ended August 31, 2014 and 2013 was \$789,103 and \$1,095,017, 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, 2014 and 2013, 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 2011.

**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 12, 2014, 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, 2014 and 2013, 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, 2014 and 2013

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 partnerships and fund	-	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 Domestic and international equity partnerships and funds	26,808,133	-	19,926,576	46,734,709
	-	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

Polk Bros. Foundation, Inc.

Notes to Financial Statements August 31, 2014 and 2013

Note 2 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at August 31, 2013

	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, 2013
Common stock funds:				
International	\$ 27,689,458	\$ -	\$ -	\$ 27,689,458
Large cap	53,260,755	-	-	53,260,755
Micro cap	17,071,561	-	-	17,071,561
Total common stock funds	98,021,774	-	-	98,021,774
Alternative investments:				
Private equity partnerships and funds	-	-	68,648,655	68,648,655
Hedged equity partnerships and funds	-	70,425,253	-	70,425,253
Absolute return equity partnerships and funds	-	47,732,505	-	47,732,505
Real estate partnerships and funds	-	-	29,226,283	29,226,283
Commodity partnerships and funds	-	-	37,589,253	37,589,253
Fixed-income partnerships Domestic and international equity partnerships and funds	21,645,121	-	18,276,658	39,921,779
Total alternative investments	21,645,121	153,758,273	153,740,849	329,144,243
Total assets	\$ 119,666,895	\$ 153,758,273	\$ 153,740,849	\$ 427,166,017

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, 2014 and 2013

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.

Fixed income funds for 2012 have been reclassified to Level 3 as result of further analysis of the redemption rules.

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, 2014 and 2013.

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	\$ 13,910,268	\$ 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	<u>\$ 153,740,848</u>	<u>\$ 24,583,439</u>	<u>\$ 14,721,676</u>	<u>\$ (35,635,756)</u>	<u>\$ 157,410,207</u>

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) at August 31, 2013

	Fair Value at September 1, 2012	Total Gains or Losses (Realized and Unrealized) Included in Change in Net Assets	Purchases	Settlements	Fair Value at August 31, 2013
Private equity partnerships and funds	\$ 52,096,522	\$ 28,256,170	\$ 5,922,724	\$ (17,626,761)	\$ 68,648,655
Real estate partnerships and funds	22,020,569	9,722,836	3,010,562	(5,527,684)	29,226,283
Commodity partnerships and funds	27,754,588	13,260,594	4,544,276	(7,970,205)	37,589,253
Fixed-income partnerships	17,311,146	1,000,649	10,000,000	(10,035,137)	18,276,658
Total Level 3 assets at fair value	<u>\$ 119,182,825</u>	<u>\$ 52,240,249</u>	<u>\$ 23,477,562</u>	<u>\$ (41,159,787)</u>	<u>\$ 153,740,849</u>

Realized and unrealized gains and losses of \$24,743,289 and \$51,419,765 for the years ended August 31, 2014 and 2013, 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, 2014 and 2013

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, 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, semi-annually, annually	30-90 days
Absolute return partnerships and funds (c)	63,442,887	-	Monthly, 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	-	Semi-monthly, monthly, quarterly	5-90 days
Total	\$ 336,504,091	\$ 56,940,737		
Investments Held at August 31, 2013				
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private equity partnerships and funds (a)	\$ 68,648,655	\$ 28,118,473	N/A	N/A
Hedged equity partnerships and funds (b)	70,425,253	-	Monthly, quarterly, semi-annually, annually	30-90 days
Absolute return equity partnerships and funds (c)	47,732,505	-	Quarterly, annually	45-100 days
Real estate partnerships and funds (a)	29,226,283	9,853,173	N/A	N/A
Commodity partnerships (a)	37,589,253	17,687,940	N/A	N/A
Fixed-income partnerships and funds (d)	18,276,658	-	Quarterly	N/A
Domestic and international equity partnerships and funds (e)	35,600,515	-	Semi-monthly, monthly, quarterly	5-30 days
Total	\$ 307,499,122	\$ 55,659,586		

Note 2 - Fair Value Measurements (Continued)

- (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.
- (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, 2014, 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 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, 2014, all but one of the investments in this category have passed their initial lock-up periods. The investment, which has not passed its initial lock-up period, will do so on January 1, 2015; it may be redeemed for a 5 percent fee before January 1, 2015. After January 1, 2015, up to a total of one fourth of the investment can be redeemed through quarterly payments on a rolling one-year basis, and greater amounts can be redeemed quarterly upon payment of the 5 percent fee. 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, which focus on global fixed-income arbitrage opportunities overlaying specified benchmarks, including the S&P500 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, 2014, up to one third of the investments in the 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, 2014, all of the investments in the category can be redeemed with no restrictions.

Polk Bros. Foundation, Inc.

Notes to Financial Statements August 31, 2014 and 2013

Note 3 - Investments

Investments consisted of the following at August 31:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Common stock funds	\$ 82,068,004	\$ 103,410,113	\$ 87,804,954	\$ 98,021,773
Private equity partnerships	42,028,536	71,363,018	50,041,148	68,648,656
Hedged equity partnerships	34,747,406	74,357,410	30,681,316	70,425,253
Absolute return equity partnerships	47,168,342	63,442,887	35,578,027	47,732,505
Real estate partnerships	28,967,515	29,508,590	29,947,246	29,226,283
Commodity partnerships	25,051,830	36,612,023	27,327,109	37,589,253
Fixed-income funds and partnerships	40,456,227	46,734,709	35,440,052	39,921,779
Domestic and international equity partnerships	32,030,495	41,293,587	35,597,296	35,600,515
Total	\$ 332,518,355	\$ 466,722,337	\$ 332,417,148	\$ 427,166,017

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 reconciliation to total gains from all investments:

	2014	2013
<u>Partnerships</u>		
Realized gains	\$ 4,806,078	\$ 4,196,120
Interest, dividends, and capital gain dividends	-	-
Net investment income from partnerships	4,806,078	4,196,120
Other sources of income from tax returns that are part of the Foundation's unrealized gains	13,032,121	19,612,023
Total income from tax returns	17,838,199	23,808,143
Additional change in unrealized gains	28,660,705	34,868,337
Total income from partnerships	46,498,904	58,676,480
Net realized gain from sales of securities other than partnerships	271,163	491,704
Capital gain dividends	4,777,627	4,461,603
Change in unrealized gain from investments, other than partnerships	10,794,407	15,794,306
Total gain on investments	\$ 62,342,101	\$ 79,424,093

Polk Bros. Foundation, Inc.

Notes to Financial Statements August 31, 2014 and 2013

Note 5 - Lease Commitments

The future minimum lease payments are as follows:

<u>Years Ending August 31</u>	<u>Amount</u>
2015	\$ 125,438
2016	127,948
2017	108,390
Total	<u>\$ 361,776</u>

Occupancy expense for 2014 and 2013 was \$232,312 and \$225,309, respectively.

Note 6 - Grants Approved but Not Paid

The Foundation has conditionally approved future grant commitments of \$22,820,000 and \$2,350,000 for the years ended August 31, 2014 and 2013, 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 2014 and 2013.

Retirement expense for the years ended August 31, 2014 and 2013 amounted to \$121,653 and \$115,897, respectively.