

CHICAGO PUBLIC LIBRARY FOUNDATION

Chicago, Illinois

FINANCIAL STATEMENTS Including Independent Auditors' Report

As of and for the year ended December 31, 2015
with comparative totals for December 31, 2014

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CHICAGO PUBLIC LIBRARY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Chicago Public Library Foundation
Chicago, IL

Report on the Financial Statements

We have audited the accompanying financial statements of Chicago Public Library Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information was derived from the Foundation's 2014 financial statements and, in our report dated June 2, 2015; we expressed an unmodified opinion on those 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.

Auditors' Responsibility

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

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

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

Board of Directors
Chicago Public Library Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 19-21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Oak Brook, Illinois
June 16, 2016

Robert Tully Umchen Krause, LLP

CHICAGO PUBLIC LIBRARY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2015 with Comparative Totals as of December 31, 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 605,339	\$ 376,993
Accounts receivable	16,960	-
Pledges receivable, net	3,245,991	1,765,878
Accrued interest/dividends receivable	3,401	2,185
Investments	28,842,405	30,215,578
Prepaid expenses	223,382	300,759
Property, equipment and collections	<u>1</u>	<u>1</u>
TOTAL ASSETS	<u><u>\$ 32,937,479</u></u>	<u><u>\$ 32,661,394</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	<u>\$ 305,802</u>	<u>\$ 404,458</u>
Net Assets		
Unrestricted:		
Available for operations and library programs	13,744,466	16,099,506
Board designated	978,939	996,641
Total Unrestricted	<u>14,723,405</u>	<u>17,096,147</u>
Temporarily restricted - grants and contracts	7,565,596	4,631,092
Temporarily restricted - donor restricted endowment funds	<u>1,700,794</u>	<u>1,887,815</u>
Total Restricted	<u>9,266,390</u>	<u>6,518,907</u>
Permanently restricted (endowment)	<u>8,641,882</u>	<u>8,641,882</u>
Total Net Assets	<u>32,631,677</u>	<u>32,256,936</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 32,937,479</u></u>	<u><u>\$ 32,661,394</u></u>

See accompanying notes to financial statements.

CHICAGO PUBLIC LIBRARY FOUNDATION

STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2015 with Comparative Totals for the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	2015 Total	2014 Total
Operating					
Support and revenue					
Contributions	\$ 474,534	5,769,562	\$ -	\$ 6,244,096	\$ 3,649,612
Special event revenue, net of expenses	808,409	175,000	-	983,409	942,506
Endowment income	1,288,506	-	-	1,288,506	1,269,347
Other income	11,459	-	-	11,459	5,407
Donated services and materials	890,248	-	-	890,248	211,644
Net assets released from restrictions	3,010,058	(3,010,058)	-	-	-
Total Support and Revenue	6,483,214	2,934,504	-	9,417,718	6,078,516
Expenses					
Program Services - Library	5,595,277	-	-	5,595,277	4,826,160
Supporting Services					
Management and general	504,885	-	-	504,885	578,664
Fundraising	1,047,423	-	-	1,047,423	982,208
Total Expenses	7,147,585	-	-	7,147,585	6,387,032
Change in Net Assets from Operating Activities	(664,371)	2,934,504	-	2,270,133	(308,516)
Nonoperating					
Net gains (losses) on investments	(1,116,603)	-	-	(1,116,603)	587,911
Deficit of income earned over withdrawal under spending policy, net of investment expenses	(591,768)	(187,021)	-	(778,789)	(797,478)
Change in Net Assets from Nonoperating Activities	(1,708,371)	(187,021)	-	(1,895,392)	(209,567)
Change in Net Assets	(2,372,742)	2,747,483	-	374,741	(518,083)
Net Assets-Beginning of Year	17,096,147	6,518,907	8,641,882	32,256,936	32,775,019
Net Assets-End of Year	<u>\$ 14,723,405</u>	<u>\$ 9,266,390</u>	<u>\$ 8,641,882</u>	<u>\$ 32,631,677</u>	<u>\$ 32,256,936</u>

See accompanying notes to financial statements.

CHICAGO PUBLIC LIBRARY FOUNDATION

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015
with Comparative Totals for the Year Ended December 31, 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 374,741	\$ (518,083)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Net (gains) losses on investments	1,116,603	(587,911)
Changes in assets and liabilities		
Accounts receivable	(16,960)	-
Pledges receivable	(1,480,113)	654,858
Accrued interest/dividends receivable	(1,216)	1,177
Prepaid expenses	77,377	(295,583)
Accounts payable	(98,656)	(68,609)
Net Cash Flows from Operating Activities	<u>(28,224)</u>	<u>(814,151)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,802,616)	(3,581,196)
Sales of investments	3,059,186	4,202,011
Net Cash Flows from Investing Activities	<u>256,570</u>	<u>620,815</u>
Net Change in Cash and Cash Equivalents	228,346	(193,336)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>376,993</u>	<u>570,329</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 605,339</u>	<u>\$ 376,993</u>
NONCASH INVESTING ACTIVITIES		
Donated securities	<u>\$ 110,519</u>	<u>\$ 148,188</u>

See accompanying notes to financial statements.

CHICAGO PUBLIC LIBRARY FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015 with Comparative Totals for the Year Ended December 31, 2014

	Children's Programs	Teen Programs	Technology Access	Workforce, Financial and Civic Literacy
Books, subscriptions and publications	\$ 8,943	\$ 4,966	\$ -	\$ -
Computer hardware, software, supplies and amortization	4,063	36,778	14,292	158
Conferences, meetings and training	303	2,578	-	-
Copier lease and supplies	-	-	-	-
Donated services/materials	354,311	-	39,000	-
Dues, fees and memberships	-	-	-	-
Honoraria	30,150	5,560	-	-
Insurance	-	-	-	-
Marketing and promotion	53,970	8,748	1,000	438
Office supplies	-	-	-	-
Postage, shipping and messengers	88	130	-	-
Printing and design	56,944	-	-	-
Professional fees:				
Audit and tax returns	-	-	-	-
CyberNavigators and YOUMedia staff	-	691,225	907,097	-
Interns & teen book discussion moderators	74,886	-	-	-
Investment consultants	-	-	-	-
Legal services	-	-	-	-
Other services (website, consultants, presenters, et al)	150,986	52,795	277,643	311,780
Teachers in the Library	661,621	-	-	-
Rent, telephone and utilities	-	-	88,517	-
Salaries, payroll taxes and benefits	-	-	-	-
Special events and program materials	163,167	153,852	11,654	1,267
Transportation, travel and business	17,903	33,328	806	1,937
Total	\$ 1,577,335	\$ 989,960	\$ 1,340,009	\$ 315,580

See accompanying notes to financial statements.

				Supporting Services			
Collections and Cultural Programs	Branch Programs	Other Library Programs	Total Library	Management and General	Fund- Raising	2015 Total	2014 Total
\$ 120,447	\$ 14,313	\$ -	\$ 148,669	\$ -	\$ 1,280	\$ 149,949	\$ 247,464
206	2,269	11,984	69,750	17,567	28,018	115,335	216,783
-	-	1,625	4,506	3,339	4,293	12,138	17,949
-	-	-	-	1,739	3,800	5,539	5,808
-	-	336,000	729,311	4,188	156,749	890,248	211,644
-	-	-	-	2,360	16,466	18,826	11,484
6,455	13,877	-	56,042	-	-	56,042	108,490
-	-	-	-	3,912	6,894	10,806	9,682
51,317	-	78,921	194,394	-	85,928	280,322	352,328
-	-	-	-	2,998	4,059	7,057	11,401
-	-	367	585	598	11,477	12,660	14,772
17,983	-	12,498	87,425	-	299	87,724	118,226
-	-	-	-	41,906	-	41,906	45,191
-	-	-	1,598,322	-	-	1,598,322	1,381,855
-	-	-	74,886	-	-	74,886	109,835
-	-	-	-	15,000	-	15,000	20,000
-	-	-	-	2,027	-	2,027	2,087
120,916	10,150	493,274	1,417,544	6,270	28,010	1,451,824	1,091,629
-	-	-	661,621	-	-	661,621	698,631
-	-	1,389	89,906	20,046	30,279	140,231	55,432
-	-	-	-	377,974	628,169	1,006,143	989,497
7,049	7,247	21,616	365,852	-	-	365,852	373,957
11,890	1,007	29,593	96,464	4,961	41,702	143,127	292,887
<u>\$ 336,263</u>	<u>\$ 48,863</u>	<u>\$ 987,267</u>	<u>\$ 5,595,277</u>	<u>\$ 504,885</u>	<u>\$ 1,047,423</u>	<u>\$ 7,147,585</u>	<u>\$ 6,387,032</u>

See accompanying notes to financial statements.

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CHICAGO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities - The Chicago Public Library Foundation (“Foundation” or “CPLF”) was created in 1986 by visionary civic leaders who shared a conviction that private resources are essential to keeping the outstanding Chicago Public Library (“Library” or “CPL”) truly world-class. Established in the spirit of a true public/private partnership with the City of Chicago, the Foundation is an independent, non-profit organization. As a publicly-supported entity, gifts to the Foundation are tax-deductible to the extent permitted by law. The Foundation’s mission is to support collection development, programs and technology initiatives that connect Library users to their community and to the world and ensure that all Chicagoans have the freedom to read, to learn and to discover at the Chicago Public Library.

Tax-Exempt Status - The Foundation has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. The guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation for uncertain tax positions as of December 31, 2015 and 2014. The Foundation’s tax returns are subject to review and examination by federal and state authorities. The tax returns for the current year as well as fiscal years 2012 and thereafter are open to examination by federal and state authorities.

Cash and Cash Equivalents - The Foundation considers all highly-liquid, short-term investments with a maturity of three months or less at the date of acquisition to be cash equivalents. Cash includes balances held in checking, savings and money market accounts and certificates of deposit with original maturities of three months or less, except that such instruments purchased with endowment assets are classified as investments.

The Foundation maintains cash balances in an institution which exceeds the federally insured limit of \$250,000. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Pledges Receivable - Unconditional promises to give to the Foundation are recorded in the year the pledge is made. Amounts that are expected to be collected after one year have not been discounted to net present value since the average interest rate on the Foundation's money market account was only 0.02% in 2015. The Foundation analyzed historical collection experience and reviewed the current status of pledges and other receivables to determine that no allowance for uncollectibles was required.

CHICAGO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Investments - Investments consist of equity securities, U.S. Government obligations, fixed income funds, institutional liquid assets, commercial paper, equity funds and equity hedge funds. Investments are recorded at fair value based upon quoted market prices, when available. If listed prices or quotes are not available, fair value is based upon externally developed models that are unobservable inputs due to the limited market activity of the instrument. Donated investments are recorded at fair value at the date of donation, or, if sold immediately, at the amount of sales proceeds received, which is considered a fair measure of the value at the date of donation.

Property, Equipment and Collections - The Foundation records property and equipment at cost and amortizes the cost using the straight-line method. The Foundation has adopted a policy of capitalizing collections at a nominal value in its financial statements. Although the financial statements do not disclose the cumulative value of collections, certain artwork received in 1991 as an unrestricted donation has been cataloged and preserved. Since 2003 the artwork has been displayed, on permanent loan, in the Joan W. and Irving B. Harris Theater for Music and Dance. The Theater carries a \$2 million insurance policy on this artwork.

Net Assets - Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

Permanently Restricted (Endowment) Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets would permit the Foundation to use all or part of the income earned on related investments for general or specific purposes. The Foundation has \$8,641,882 of permanently restricted net assets at December 31, 2015 and 2014.

To ensure the observance of limitations and stipulations placed on the use of available resources, the Foundation maintains its internal financial accounts in accordance with the principles and practices of fund accounting. This is the procedure by which resources for various purposes are classified for accounting purposes into funds established in accordance with their nature or purpose.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expiration of temporary restrictions on net assets (i.e. the donor-imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

CHICAGO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Operations - Operating results in the statement of activities reflect all transactions increasing or decreasing unrestricted net assets, except the receipt and expenditure of those gifts, grants and bequests of a long-term investment nature and net investment income.

Contributions - Contributions, including unconditional pledges to give, represent amounts raised from the public and are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Gifts received for perpetual endowment funds are reported as non-operating revenues in the statement of activities. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Donated Services - Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Such services, as valued by the donors, totaled \$890,248 and \$211,644 on December 31, 2015 and 2014, respectively, and are reflected as support and expense in the statements of activities. In addition, various board members donated personal services to the Foundation. These donated services are not reflected in the financial statements since the services are not required to be recorded.

Endowment Income - The Foundation adopted a spending policy directed at meeting current operational budget requirements. The Foundation's policy has been to expend 4.5% of a four-year rolling average of the market value of the Foundation's investments as of each December 31, as audited.

Endowment yields that are in excess of the spending policy are returned to the endowment and reinvested. However, if endowment yields are not sufficient to support the spending policy, the balance is provided from realized capital gains. The difference between the actual yield on endowment investments and the spending rate is reported as a nonoperating excess or deficit.

Grants to the Library - The Foundation recognizes unconditional promises to make grants to the Library as expenses in the period made. Conditional promises to give, however, are not recognized until the conditions on which they depend are substantially met. Grant obligations are measured at their fair values.

Summarized Information - The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHICAGO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE 2 – Fair Value Measurement

Fair Value Hierarchy

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measure date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

Valuation Techniques and Inputs

Level 1 – Level 1 assets include investments in mutual funds for which quoted prices are readily available.

Level 2 – Level 2 assets include investments in funds for which quoted prices are not readily available, but where the Foundation has the ability to redeem its interest at or near the statement of financial position date. The Foundation has estimated the fair value of such funds by using the net asset value (“NAV”) provided by the investees as of December 31.

Level 3 – Level 3 assets include investments in funds for which there is no readily determinable fair value and the investee has provided its investors with a NAV per share as of December 31. As of December 31, 2015, these assets could not be liquidated in less than 90 days.

There have been no changes in techniques and inputs used as of December 31, 2015 and 2014.

CHICAGO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE 2 – Fair Value Measurement (continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents information about the Foundation's assets measured at fair value on a recurring basis as of December 31, 2015 based upon the three-tier hierarchy:

	2015			
	Total	Level 1	Level 2	Level 3
Large cap equity funds	\$ 7,989,726	\$ 6,332,899	\$ 1,656,827	\$ -
Small cap equity funds	1,778,100	871,191	906,909	-
International equity funds	6,860,451	2,561,125	4,299,326	-
Hedged equity funds	5,606,894	-	1,934,644	3,672,250
Absolute return funds	4,173,579	-	4,173,579	-
Fixed income funds	2,433,655	2,433,655	-	-
Total Assets Recorded at Fair Value	\$ 28,842,405	\$ 12,198,870	\$ 12,971,285	\$ 3,672,250

The following table presents information about the Foundation's assets measured at fair value on a recurring basis as of December 31, 2014 based upon the three-tier hierarchy:

	2014			
	Total	Level 1	Level 2	Level 3
Large cap equity funds	\$ 9,632,038	\$ 7,494,030	\$ 2,138,008	\$ -
Small cap equity funds	1,900,523	928,666	971,857	-
International equity funds	7,313,583	2,710,734	4,602,849	-
Hedged equity funds	7,041,423	-	3,418,113	3,623,310
Absolute return funds	4,199,446	-	4,199,446	-
Fixed income funds	128,565	128,565	-	-
Total Assets Recorded at Fair Value	\$ 30,215,578	\$ 11,261,995	\$ 15,330,273	\$ 3,623,310

CHICAGO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

NOTE 2 – Fair Value Measurement (continued)

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	<u>2015</u>	<u>2014</u>
	Hedged Equity Funds	Hedged Equity Funds
Balance, January 1	\$ 3,623,310	\$ 24,976
Realized and unrealized gains (losses) included in change in net assets at December 31	48,940	(34,819)
Reclassification to level 3	-	2,133,153
Purchases	-	1,500,000
Balance, December 31	<u>\$ 3,672,250</u>	<u>\$ 3,623,310</u>

The fair value of certain alternative investment funds has been estimated using Net Asset Value (“NAV”) as reported by the management of the fund. Accounting guidance allows for the use of redemption timing to be a consideration of investment classification.

The liquidity table below presents the redemption notification period required for the investment portfolio.

	<u>2015</u>	<u>Redemption</u>	<u>Notice</u>
	Total	Frequency	Period
Large cap equity fund	\$ 6,332,899	Daily	Daily
Large cap equity fund	1,656,827	Monthly	10 days
Small cap equity fund	906,909	Monthly	10 days
Small cap equity fund	871,191	Daily	Daily
International equity fund	1,853,343	Annually-Dec	90 days
International equity fund	2,561,125	Daily	Daily
International equity fund	2,445,983	Monthly	None
Hedged equity fund	1,170,702	Annually-Dec*	45 days
Hedged equity fund	1,934,644	Monthly	60 days
Hedged equity fund	2,474,583	Annually-May	60 days
Hedged equity fund	26,965	Fund in liquidation mode	
Absolute return fund	4,173,579	Annually	45 days
Fixed income fund	<u>2,433,655</u>	Daily	Daily
Total Assets Recorded at Fair Value	<u>\$ 28,842,405</u>	* - 3 year lock-up period expires in Dec. 2017	

CHICAGO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

NOTE 3 – Pledges Receivable

Promises to give at December 31, 2015 and 2014 are as follows:

	2015	2014
Receivables due in less than one year	\$ 2,745,991	\$ 1,305,878
Receivables due in one to three years	500,000	460,000
Total unconditional promises to give	3,245,991	1,765,878
Less discount to net present value	-	-
Pledges receivable, net	\$ 3,245,991	\$ 1,765,878

NOTE 4 – Investments

The market value of investments held by the Foundation as of December 31, 2015 and 2014 are summarized as follows:

	2015	2014
Large cap equity funds	7,989,726	9,632,038
Small cap equity funds	1,778,100	1,900,523
International equity funds	6,860,451	7,313,583
Hedged equity funds	5,606,894	7,041,423
Absolute return funds	4,173,579	4,199,446
Fixed income funds	2,433,655	128,565
Total	\$ 28,842,405	\$ 30,215,578

The following schedule summarizes the Foundation's investment return and related expenses on endowment funds and their classification in the statements of activities:

	2015	2014
Yield on long-term investments		
Dividends and interest	\$ 536,638	\$ 503,922
Less: Investment management fees	26,921	32,053
Net	509,717	471,869
Less: investment yield used to support current operations	1,288,506	1,269,347
Endowment deficit	(778,789)	(797,478)
Net gains (losses) on investments	(1,116,603)	587,911
Investment return in excess (deficit) of amounts used to support current operations	\$ (1,895,392)	\$ (209,567)

CHICAGO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE 4 – Investments (continued)

Investments, in general, are subject to various risks, including credit, interest rate and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and such changes could materially affect the Foundation's investment balances and the amounts reported on the statements of financial position.

The Foundation's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the international equity, hedged equity markets and an equity portfolio which participates in a securities lending program. This strategy provides the Foundation with a long-term asset mix that is most likely to meet the Foundation's long-term return goals with the appropriate level of risk.

Alternative investments were entered into to diversify the Foundation's portfolio. The Foundation's management, the Investment Committee of the Board of Directors and the Foundation's external investment consultant review reports provided by the general partners and hedge fund managers on a regular basis and the Foundation's external investment consultant attends meetings of the various general partners and hedge fund managers in order to evaluate the risk associated with these investments. In addition, the Foundation monitors its portfolio mix to ensure that it is in accordance with the Board of Directors' policy.

NOTE 5 – Endowment Funds

The Foundation's endowment includes both donor-restricted endowment funds [30 funds] and funds designated by the Board of Directors to function as endowments [3 funds], for a variety of purposes. As required by accounting principles generally accepted in the United States Of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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 Foundation classifies as permanently restricted net assets (a) the original value of the 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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

CHICAGO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE 5 – Endowment Funds (continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and 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 Foundation
7. The Investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are expected to outperform a custom benchmark (the Allocation Index) consisting of the appropriate indices of each asset class and their proportional weighting in the portfolio.

The Allocation Index is constructed by selecting appropriate indices (e.g., S&P 500, Russell 2000, MSCI EAFE, etc.) and assigning beginning of the quarter weighting by asset class. The total return of the invested assets is expected to exceed the total return of the Allocation Index.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investment to achieve its long-term return objectives within prudent risk constraints.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration.

The Foundation has an endowment distribution policy that determines a maximum spending rate of 4.5 percent applied to the average of the fair value of endowment investments for the 12 quarters ended December 31, 2015 and 2014, respectively. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, the long-term goal is to achieve a rate of growth sufficient to meet the Foundation's spending needs, while maintaining the inflation-adjusted principal of the endowment funds. If actual earnings for any year are less than the current year spending rule, the deficiency is drawn from prior years' amounts that have accumulated but not been spent. The amount of investment income (loss) included in operating revenues totaled (\$1,083,783) and (\$705,336) for 2015 and 2014, respectively.

CHICAGO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2015

NOTE 5 – Endowment Funds (continued)

The following table summarizes endowment net asset composition by type of fund as of December 31, 2015.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,700,794	\$ 8,641,882	\$ 10,342,676
Board-designated endowment funds	978,939	-	-	978,939
Total funds	\$ 978,939	\$ 1,700,794	\$ 8,641,882	\$ 11,321,615

The following table summarizes endowment net asset composition by type of fund as of December 31, 2014.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,887,815	\$ 8,641,882	\$ 10,529,697
Board-designated endowment funds	996,641	-	-	996,641
Total funds	\$ 996,641	\$ 1,887,815	\$ 8,641,882	\$ 11,526,338

Changes in endowment net assets for December 31, 2015 and 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2013	\$ 1,045,410	\$ 2,403,057	\$ 8,641,882	\$ 12,090,349
Investment income	395,420	309,916	-	705,336
Appropriation of endowment assets for expenditure	(444,189)	(825,158)	-	(1,269,347)
Endowment net assets, December 31, 2014	\$ 996,641	\$ 1,887,815	\$ 8,641,882	\$ 11,526,338
Investment income	433,195	650,588	-	1,083,783
Appropriation of endowment assets for expenditure	(450,897)	(837,609)	-	(1,288,506)
Endowment net assets, December 31, 2015	\$ 978,939	\$ 1,700,794	\$ 8,641,882	\$ 11,321,615

NOTE 6 – Retirement Plan

The Foundation established a 403(b) defined contribution plan covering all employees working 30 hours or more each week, for which it makes discretionary contributions. Contributions to the plan for the years ended December 31, 2015 and 2014 were \$79,388 and \$80,241, respectively.

CHICAGO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE 7 – Special Events

The Foundation holds one significant fund raising event – an annual dinner at which the Carl Sandburg Literary Award pays tribute to a writer whose work has helped enhance the public's awareness of the written word and reflects the Foundation's and the Chicago Public Library's commitment to the freedom of all people to read, to learn and to discover. The following is a financial summary of that event:

	<u>2015</u>	<u>2014</u>
Contributions	\$ 1,313,358	\$ 1,270,772
Donated Services	349,853	228,088
Less: Expenses, including costs of direct benefits to donors of \$91,000 (2015) and \$88,400 (2014)	<u>(679,802)</u>	<u>(556,354)</u>
Net revenue from special event	<u>\$ 983,409</u>	<u>\$ 942,506</u>

NOTE 8 – Operating Leases

Effective March 1, 2014, the Foundation signed a lease amendment to occupy new quarters in the same building. This lease expires June 30, 2020. Lease payments for the years ended December 31, 2015 and 2014 totaled \$32,427 and \$31,386, respectively. Future minimum lease payments are:

<u>Year</u>	<u>Amount</u>
2016	\$ 33,400
2017	34,348
2018	35,434
2019	36,496
2020	<u>18,337</u>
	<u>\$ 158,015</u>

In January 2012, the Foundation leased a new copier for a term of five years that expires in December 2016. Lease payments for the years ended December 31, 2015 and 2014 totaled \$5,540 and \$5,807, respectively. Future minimum lease payments are:

<u>Year</u>	<u>Amount</u>
2016	\$ 4,698

NOTE 9 – Subsequent Events

The Foundation has evaluated subsequent events through June 16, 2016, which is the date the financial statements were approved and available to be issued, for events requiring recording or disclosure in the Foundation's financial statements.

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Supplemental Information

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CHICAGO PUBLIC LIBRARY FOUNDATION

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS
For the Year Ended December 31, 2015

	Balance January 1, 2015	Contributions and Pledges Received	Temporarily Restricted Special Event Revenue	Net Assets Released From Restrictions	Balance December 31, 2015
Children's Programs	\$ 616,911	\$ 4,183,579	\$ 60,000	\$ 747,466	\$ 4,113,024
Teen Programs	1,497,538	385,370	-	886,108	996,800
Technology Access	792,356	703,594	40,000	460,630	1,075,320
Workforce, Financial and Civic Literacy	593,648	70,000	25,000	315,580	373,068
Collections and Cultural Programs	501,554	358,000	50,000	226,973	682,581
Branch Programs	249,058	54,519	-	59,301	244,276
Other Library Programs	380,027	14,500	-	314,000	80,527
Totals	<u>\$ 4,631,092</u>	<u>\$ 5,769,562</u>	<u>\$ 175,000</u>	<u>\$ 3,010,058</u>	<u>\$ 7,565,596</u>

CHICAGO PUBLIC LIBRARY FOUNDATION

CHANGES IN TEMPORARILY RESTRICTED (DONOR RESTRICTED ENDOWMENT) AND PERMANENTLY RESTRICTED (ENDOWMENT)
NET ASSETS AND BOARD DESIGNATED UNRESTRICTED NET ASSETS
For the Year Ended December 31, 2015

	Principal Balance at January 1, 2015	Contributions Received (Expended)	Principal Balance at December 31, 2015	Cumulative Available for Long-Term Investment *	Endowment Balance at December 31, 2015
Permanently Restricted (Endowment) Net Assets					
AON Corporation Fund	\$ 30,000	\$ -	\$ 30,000	\$ 7,057	\$ 37,057
Arthur Andersen Fund I	37,500	-	37,500	8,846	46,346
Arthur Andersen Fund II	37,500	-	37,500	8,845	46,345
Blum-Kovler Foundation Fund	1,000,000	-	1,000,000	235,782	1,235,782
City of Chicago Humanities Fund	138,920	-	138,920	32,830	171,750
CPLF Gala 1998	208,000	-	208,000	45,813	253,813
CPLF Sandburg Awards Dinner 2000	202,000	-	202,000	13,454	215,454
Arie & Ida Crown Memorial Fund	250,000	-	250,000	58,811	308,811
Gaylord & Dorothy Donnelley Foundation	100,000	-	100,000	23,211	123,211
First National Bank of Chicago	80,000	-	80,000	18,871	98,871
Friends of the Chicago Public Library	219,397	-	219,397	39,471	258,868
James S. Kemper Foundation Fund	75,000	-	75,000	17,670	92,670
Chauncey & Marion Deering McCormick Foundation	100,000	-	100,000	23,296	123,296
MacArthur Foundation Fund	1,250,000	-	1,250,000	295,119	1,545,119
NEH Challenge Grant	599,173	-	599,173	141,678	740,851
John Nuveen Fund	30,000	-	30,000	7,084	37,084
Albert Pick, Jr. Fund	750,000	-	750,000	176,457	926,457
Polk Bros. Foundation Fund	60,000	-	60,000	14,169	74,169
Prince Charitable Trusts Fund	150,000	-	150,000	35,406	185,406
Pritzker Foundation Fund I	1,000,000	-	1,000,000	196,913	1,196,913
Pritzker Foundation Fund II	1,000,000	-	1,000,000	2,325	1,002,325
Sagan/Hill Fund	20,000	-	20,000	4,454	24,454
Salomon Foundation Fund	50,000	-	50,000	11,795	61,795
Sears Family Literature Fund	150,000	-	150,000	33,038	183,038
WH Smith Fund	50,000	-	50,000	11,829	61,829
Stone Container Corporation Fund	30,000	-	30,000	7,052	37,052
United Airlines Fund	100,000	-	100,000	23,569	123,569
Madeline Block Willner Fund	50,000	-	50,000	11,810	61,810
Oprah Winfrey Fund	100,000	-	100,000	23,578	123,578
Laura Weber Bequest	774,392	-	774,392	170,561	944,953
Total Permanently Restricted	8,641,882	-	8,641,882	1,700,794	10,342,676
Board Designated Unrestricted Net Assets					
Friends of the Lincoln Park Branch Library	130,000	-	130,000	(39,929)	90,071
Gould Foundation	976,571	-	976,571	(260,669)	715,902
Jesse Jones Children's Charitable Remainder Trust	223,907	-	223,907	(50,941)	172,966
Total Board Designated	1,330,478	-	1,330,478	(351,539)	978,939
Total Endowment Funds	\$ 9,972,360	\$ -	\$ 9,972,360	\$ 1,349,255	\$ 11,321,615

*Board policy is to designate for investment the cumulative excess of actual investment income earned over the 4.5% spending rate in order to preserve the value of the endowment funds.

CHICAGO PUBLIC LIBRARY FOUNDATION

ALLOCATION OF 4.5% SPENDING POLICY AS
DESIGNATED BY THE BOARD
For the Year Ended December 31, 2015

	General	For Books and/or Programs	Total Expendable
Permanently Restricted (Endowment) Net Assets			
AON Corporation Fund	\$ -	\$ 4,217	\$ 4,217
Arthur Andersen Fund I	-	5,275	5,275
Arthur Andersen Fund II	-	5,274	5,274
Blum-Kovler Foundation Fund	-	140,644	140,644
City of Chicago Humanities Fund	-	19,547	19,547
CPLF Gala 1998	-	28,886	28,886
CPLF Sandburg Awards Dinner 2000	21,971	2,550	24,521
Arie & Ida Crown Memorial Fund	-	35,146	35,146
Gaylord & Dorothy Donnelley Foundation	-	14,023	14,023
First National Bank of Chicago	-	11,252	11,252
Friends of the Library	-	29,462	29,462
James S. Kemper Foundation Fund	-	10,547	10,547
Chauncey & Marion Deering McCormick Foundation Fund	-	14,032	14,032
MacArthur Foundation Fund	175,849	-	175,849
NEH Challenge Grant	-	84,316	84,316
John Nuveen Fund	-	4,221	4,221
Albert Pick, Jr. Fund	-	105,438	105,438
Polk Bros. Foundation Fund	-	8,441	8,441
Prince Charitable Trusts Fund	-	21,101	21,101
Pritzker Foundation Fund I	136,220	-	136,220
Pritzker Foundation Fund II	114,074	-	114,074
Sagan/Hill Fund	2,783	-	2,783
Salomon Foundation Fund	-	7,033	7,033
Sears Family Literature Fund	-	20,831	20,831
WH Smith Fund	-	7,037	7,037
Stone Container Corporation Fund	-	4,217	4,217
United Airlines Fund	-	14,063	14,063
Madeline Block Willner Fund	-	7,035	7,035
Oprah Winfrey Fund	-	14,064	14,064
Laura Weber Bequest	-	107,545	107,545
	<u>450,897</u>	<u>726,197</u>	<u>1,177,094</u>
Board Designated Unrestricted Net Assets			
Friends of Lincoln Park Branch Library	-	10,251	10,251
Gould Foundation	-	81,476	81,476
Jesse O. Jones Children's Charitable Remainder Trust	-	19,685	19,685
	<u>-</u>	<u>111,412</u>	<u>111,412</u>
Total Endowment Income Expendable	<u>\$ 450,897</u>	<u>\$ 837,609</u>	<u>\$ 1,288,506</u>

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