Glenwood Academy

Independent Auditor's Report and Consolidated Financial Statements

August 31, 2015 and 2014

BKD LLP
CPAs & Advisors

Glenwood Academy
August 31, 2015 and 2014

Contents

BKD LLP
CPAs & Advisors

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Independent Auditor's Report

Board of Trustees
Glenwood Academy
Glenwood, Illinois

We have audited the accompanying consolidated financial statements of Glenwood Academy, which comprise the consolidated statement of financial position as of August 31, 2015, and the related consolidated statements of activities, changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Glenwood Academy as of August 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.

Prior Year Audited by Other Auditors

The 2014 consolidated financial statements were audited by other auditors and their report thereon, dated January 15, 2015, expressed an unmodified opinion. The summarized comparative information presented herein as of and for the year ended August 31, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BKD, LLP

Oakbrook Terrace, Illinois
January 19, 2016

Glenwood Academy

Consolidated Statements of Financial Position

August 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 637,017	$ 761,593
Receivables		
Pledges	15,000	1,012,500
Bequests	250,000	-
Room and board and other	20,808	119,450
Contributions receivable from split-interest arrangements	1,707,411	1,762,429
Investments	38,385,438	45,068,814
Assets limited as to use - externally designated under debt agreements	180,036	180,036
Assets held under split-interest arrangements	784,965	803,577
Deferred financing costs and other	745,445	765,657
Net property, plant and equipment	7,590,940	7,677,632
Property, plant and equipment available for sale	8,300,000	8,300,000
Beneficial interest in perpetual trusts	13,221,156	14,243,761
Total assets	$ 71,838,216	$ 80,695,449
Liabilities		
Accounts payable and accrued liabilities	$ 610,399	$ 671,775
Accrued pension liability	2,604,221	2,170,831
Liabilities under split-interest arrangements	104,987	110,164
Bonds payable	30,000,000	30,000,000
Total liabilities	33,319,607	32,952,770
Net Assets		
Unrestricted	13,192,642	19,655,681
Temporarily restricted	4,089,139	5,055,358
Permanently restricted	21,236,828	23,031,640
Total net assets	38,518,609	47,742,679
Total liabilities and net assets	$ 71,838,216	$ 80,695,449

Glenwood Academy
Consolidated Statements of Activities
Year Ended August 31, 2015
(With Comparative Totals for 2014)

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and Revenue					
Private sources					
Contributions	$ 2,047,164	$ 726,830	$ 55,316	$ 2,829,310	$ 2,345,369
Legacies and bequests	73,750	250,000	-	323,750	30,100
Income from trust funds	714,738	-	-	714,738	694,889
Room and board	61,715	-	-	61,715	59,657
Income (loss) on investments	(999,843)	(107,901)	(748,023)	(1,855,767)	6,214,684
Other	190,339	-	-	190,339	155,061
Net assets released from restrictions	1,855,581	(1,855,581)	-	-	-
Change in value of split-interest arrangements	(82,536)	1,271	(1,082,943)	(1,164,208)	1,444,943
Total support and revenue	3,860,908	(985,381)	(1,775,650)	1,099,877	10,944,703
Expenses					
Program	6,559,427	-	-	6,559,427	5,865,547
Support services					
Administrative	1,801,260	-	-	1,801,260	1,599,495
Fundraising	1,963,260	-	-	1,963,260	761,718
Total expenses	10,323,947	-	-	10,323,947	8,226,760
Increase (decrease) in net assets	$ (6,463,039)	$ (985,381)	$ (1,775,650)	$ (9,224,070)	$ 2,717,943

Glenwood Academy
Consolidated Statements of Changes in Net Assets
Years Ended August 31, 2015 and 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets at August 31, 2013	$ 19,220,247	$ 4,762,962	$ 21,041,527	$ 45,024,736
Reclassifications	-	16,125	(16,125)	-
Increase in net assets for the year	435,434	276,271	2,006,238	2,717,943
Net Assets at August 31, 2014	19,655,681	5,055,358	23,031,640	47,742,679
Reclassifications	-	19,162	(19,162)	-
Decrease in net assets for the year	(6,463,039)	(985,381)	(1,775,650)	(9,224,070)
Net Assets at August 31, 2015	$ 13,192,642	$ 4,089,139	$ 21,236,828	$ 38,518,609

Glenwood Academy
Consolidated Statement of Functional Expenses
Year Ended August 31, 2015

		Supporting Services		
	Program	Administrative	Fund Raising	Total
Salaries and related expenses				
Salaries	$ 2,718,281	$ 597,035	$ 601,092	$ 3,916,408
Group insurance	414,352	94,010	5,109	513,471
Payroll taxes	207,266	39,468	36,528	283,262
Defined benefit plan	446,563	210,147	-	656,710
Defined contribution plan	93,404	84,432	10,658	188,494
	3,879,866	1,025,092	653,387	5,558,345
Food	163,342	-	-	163,342
Wearing apparel	5,139	-	-	5,139
Medical expense	2,880	-	-	2,880
Textbook and educational supplies	64,505	-	-	64,505
Building and campus repairs	266,863	281,090	-	547,953
Utilities	269,217	142,451	5,076	416,744
Supplies	94,515	4,579	4,237	103,331
Insurance	165,586	4,958	7,083	177,627
Stationery and postage	14,938	6,902	22,964	44,804
Travel and conference	72,679	6,844	4,018	83,541
Bank and actuarial	-	19,891	32,104	51,995
Legal and audit	-	79,240	-	79,240
Employee recruitment	572	20,040	-	20,612
Student work program	27,905	-	-	27,905
Special events	3,323	-	84,933	88,256
Appeals	-	-	20,818	20,818
Depreciation expense	458,386	26,915	53,829	539,130
Bond financing costs	668,936	-	-	668,936
Write-off of pledge receivable	-	-	1,000,000	1,000,000
Other	400,775	183,258	74,811	658,844
	$ 6,559,427	$ 1,801,260	$ 1,963,260	$10,323,947

Glenwood Academy

Consolidated Statement of Functional Expenses

Year Ended August 31, 2014

		Supporting Services		
	Program	Administrative	Fund Raising	Total
Salaries and related expenses				
Salaries	$ 2,335,642	$ 477,949	$ 424,100	$ 3,237,691
Group insurance	403,918	82,834	4,502	491,254
Payroll taxes	199,734	70,541	29,093	299,368
Defined benefit plan	203,798	84,733	3,653	292,184
Defined contribution plan	132,229	61,564	3,167	196,960
	3,275,321	777,621	464,515	4,517,457
Food	167,400	-	-	167,400
Wearing apparel	2,952	-	-	2,952
Medical expense	2,096	-	-	2,096
Textbook and educational supplies	88,991	-	-	88,991
Building and campus repairs	247,920	214,699	-	462,619
Utilities	254,944	156,388	4,698	416,030
Supplies	49,720	16,939	2,299	68,958
Insurance	251,064	4,958	7,083	263,105
Stationery and postage	5,648	10,814	27,519	43,981
Travel and conference	72,694	13,412	3,746	89,852
Bank and actuarial	32,104	84,010	32,104	148,218
Legal and audit	-	84,750	-	84,750
Employee recruitment	20,076	3,475	-	23,551
Student work program	21,961	-	-	21,961
Special events	8,368	-	93,271	101,639
Appeals	-	-	7,300	7,300
Depreciation expense	443,363	26,080	52,160	521,603
Bond financing costs	666,604	-	-	666,604
Other	254,321	206,349	67,023	527,693
	$ 5,865,547	$ 1,599,495	$ 761,718	$ 8,226,760

Glenwood Academy

Consolidated Statements of Cash Flows

Years Ended August 31, 2015 and 2014

	2015	2014
Operating Activities		
Increase (decrease) in net assets	$ (9,224,070)	$ 2,717,943
Items not requiring (providing) cash		
Net realized and unrealized (gains) losses on investments	3,946,459	(4,164,828)
Non-cash donation of marketable securities	73,713	-
Depreciation and amortization	562,644	545,511
Change in value of split-interest arrangements	1,091,058	(1,369,870)
Changes in operating assets and liabilities		
Receivables	846,142	(99,458)
Deferred financing costs and other assets	3,735	(26,574)
Accounts payable and accrued liabilities	(61,376)	276,622
Accrued pension liability	433,390	(25,038)
Net cash used in operating activities	(2,328,305)	(2,145,692)
Investing Activities		
Additions to property and equipment	(459,475)	(756,768)
Purchase of investments	(4,687,077)	(13,331,672)
Proceeds from sale of investments	7,350,281	13,742,067
Net cash provided by (used in) investing activities	2,203,729	(346,373)
Net Decrease in Cash and Cash Equivalents	(124,576)	(2,492,065)
Cash and Cash Equivalents, Beginning of Year	761,593	3,253,658
Cash and Cash Equivalents, End of Year	$ 637,017	$ 761,593
Supplemental Cash Flow Information		
Cash paid during the year for interest	$ 47,819	$ 52,710

Glenwood Academy
Notes to Consolidated Financial Statements
August 31, 2015 and 2014

Note 1: Nature of Organization

Glenwood Academy (Glenwood) is a non-profit organization which provides a high quality educational program and residential campus environment for students from lower income and single-parent families who proactively seek positive alternatives to home and community situations which impede opportunities for these individuals to achieve their potential.

On March 1, 1996, Glenwood formed two entities, Glenwood South and Glenwood West, to carry out program operations at the respective campuses. Glenwood South and Glenwood West are charitable organizations as defined by Section 501(c)(3) of the Internal Revenue Code. The consolidated financial statements include the accounts and transactions of Glenwood and its related entities. Intercompany transactions are eliminated in the consolidated financial statements.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements have been prepared under the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Net Asset Classifications

Permanently restricted net assets include gifts and bequests which donors have specified must be maintained in perpetuity. The related income may be expended for such purpose as specified by the donor, or if none, then for general purposes as directed by Glenwood's management and Board of Trustees.

Temporarily restricted net assets are comprised of funds which are restricted by donors for specific operating activities. Assets released from restrictions that are used for operating purposes are reported in the statement of activities as unrestricted operating support and revenue or as net assets released from donor restrictions.

Unrestricted net assets represent funds which are fully available, at the discretion of management and the Board of Trustees, for Glenwood to utilize in its programs and supporting services.

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

Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts and money market accounts.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash, cash equivalents, receivables, accounts payable, accrued expenses and short-term borrowings approximate fair value due to the short maturity of these instruments. The carrying amount of long-term debt approximates fair value because the interest rates fluctuate with market interest rates or the fixed rates are based on current rates offered to Glenwood for debt with similar terms and maturities.

Accounts Receivable

Room and board receivables are valued at management's estimate of the amount that will be ultimately collected. The allowance for doubtful accounts is based on management's knowledge of historical collection rates and is evaluated annually for reasonableness. Room and board receivables are generally written off when all efforts to collect have been exhausted, which is generally six months after they have gone to collections. The allowance for doubtful accounts was $23,355 and $14,264 as of August 31, 2015 and 2014, respectively.

Pledges Receivable

Pledges receivable include promises made by donors whereby the donor has unconditionally promised to contribute funds to Glenwood in future periods. Unconditional promises expected to be collected within one year are recorded as support and a receivable at net realizable value. Unconditional promises expected to be collected in future years are recorded as support and a receivable at the present value of expected future cash flows. Amortization of discounts is included in contribution revenue.

Deferred Financing Costs

Deferred financing costs are bond issuance costs that are amortized using the straight-line method over the period the bonds are outstanding. Deferred financing costs net of accumulated amortization are $536,768 and $553,245 at August 31, 2015 and 2014, respectively.

Investments and Assets Held Under Split-Interest Arrangements

All investments, except for property and other which are stated at cost or estimated value at time of donation, and assets held under split-interest arrangements, are recorded at fair value at August 31, 2015 and 2014. Investment management fees are included in operating expenses and aggregated $169,307 and $128,415 for the years ended August 31, 2015 and 2014, respectively.

Property and Equipment

Property, plant and equipment are recorded at cost on the date of purchase or fair market value at the date of donation and depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years. Glenwood's policy is to capitalize all expenditures for improvements, property and equipment in excess of $1,000 if the expenditure is expected to prolong the life of the asset.

Maintenance and repair costs are expensed as incurred.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Additionally, contributions received with donor-imposed restrictions which are met in the same period are recorded as unrestricted net assets.

Endowments

Glenwood is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization. Glenwood is also subject to certain additional disclosure requirements regarding an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds).

Income Taxes

Glenwood is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is reflected in the consolidated financial statements. Glenwood recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. Glenwood has no ongoing federal or state income tax examinations. Glenwood is no longer subject to federal or state income tax audits before its year ended August 31, 2012.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Comparative 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 Glenwood's financial statements for the year ended August 31, 2014, from which the summarized information was derived.

Note 3: Investments

Investments at August 31, 2015 and 2014, consisted of the following:

	2015	2014
Marketable securities		
Mutual funds	$ 12,607,875	$ 15,257,614
Exchange traded funds	2,137,950	3,895,550
Common stock	20,562,385	21,776,473
Corporate bonds and notes	1,619,766	2,124,590
Non traditional	806,673	1,363,798
	37,734,649	44,418,025
Other		
Land	650,789	650,789
	$ 38,385,438	$ 45,068,814

Assets limited as to use – externally designated under debt agreements at August 31, 2015 and 2014, consisted of the following:

	2015	2014
Government money market fund	$ 180,036	$ 180,036

The income (loss) on investments included in the statements of activities for the years ended August 31, 2015 and 2014, is as follows:

	2015	2014
Interest and dividends	$ 2,090,692	$ 2,049,856
Net realized and unrealized gain (loss) on investments	(3,946,459)	4,164,828
	$ (1,855,767)	$ 6,214,684

Note 4: Split-Interest Agreements

Glenwood recognizes its interest in a variety of split-interest arrangements. Glenwood is the trustee for the charitable gift annuities assets held in charitable remainder trusts, and the assets of pooled income funds. These arrangements are measured at the fair market value of the underlying investments. Related liabilities of $104,987 and $110,164 at August 31, 2015 and 2014, respectively, are reflected in the statements of financial position at the discounted value of the expected cash flows to be paid to the donors over their lives.

Glenwood is not the trustee for the contributions receivable from certain charitable remainder trusts and residual trusts. These assets are invested and controlled by banks acting as trustees. The assets are measured at the present value of the expected future cash flows from the various trusts.

Glenwood's interest in perpetual trusts represents Glenwood's proportionate share in the market value of the trusts' assets as measured by Glenwood's share of the trust income. These trusts were established to pay income, in perpetuity, to named beneficiaries. The management and control of the trusts' assets is the responsibility of bank trust officers. Glenwood has no control over the investment of these funds.

A summary of the split-interest arrangements at August 31, 2015 and 2014, is as follows:

	2015	2014
Contributions receivable from split-interest arrangements		
Contributions receivable from residual trusts	$ 1,707,411	$ 1,762,429
Assets held under split-interest arrangements		
Charitable gift annuities	265,261	265,261
Charitable remainder trusts	519,704	538,316
	784,965	803,577
Beneficial interest in perpetual trusts	13,221,156	14,243,761
Total investments in split-interest arrangements	$ 15,713,532	$ 16,809,767

The interest rate used to calculate the present value of future cash flows from split-interest arrangements was 7% as of August 31, 2015 and 2014.

Note 5: Net Assets Classifications

Permanently restricted net assets at August 31, 2015 and 2014, are restricted to investment in perpetuity for purposes as follows:

	2015	2014
Contribution receivable - Residual Trust	$ 591,733	$ 652,070
Educational programs to further the mission of Glenwood	7,423,939	8,135,809
Beneficial interest in perpetual trusts	13,221,156	14,243,761
	$ 21,236,828	$ 23,031,640

Temporarily restricted net assets are restricted by donors for specific activities as follows:

	2015	2014
Educational programs to further the mission of Glenwood	$ 1,818,509	$ 2,018,758
Contribution receivable - Residual Trust	1,115,678	1,110,359
Assets held under split-interest arrangements		
Charitable gift annuities	265,261	265,261
Charitable remainder trusts	519,704	538,316
Assets used to satisfy liabilities under split-interest arrangements	104,987	110,164
Pledges and bequests for various purposes	265,000	1,012,500
	$ 4,089,139	$ 5,055,358

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

Note 6: Uniform Prudent Management of Institutional Funds Act

Glenwood's endowments consist of donor-restricted endowment funds and, except for board-designated endowment funds, do not include unrestricted investments of the school. A portion of the endowment funds consists of assets being held under split-interest arrangements in which Glenwood is a beneficiary. Accordingly, Glenwood has no control over the investment allocation or spending policy of the fund. 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 Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Glenwood has historically managed endowment funds so as to preserve the fair value of the gift as of the gift date of the donor-restricted endowment, absent explicit donor stipulations to the contrary. As a result of the interpretation, Glenwood classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Glenwood in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Glenwood considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Glenwood and (7) Glenwood's investment policy.

Investment Return Objectives, Risk Parameters and Strategies: Glenwood has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make distributions as needed, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: Glenwood has a policy of appropriating endowment funds for distribution when they are needed. In establishing this policy, Glenwood considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. Glenwood expects current spending policy to allow its endowment funds to grow at a nominal average annual rate, which is consistent with Glenwood's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of August 31, 2015, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 2,005,630	$ 21,236,828	$ 23,242,458
Board-designated endowment funds	8,179,952	-	-	8,179,952
Total Funds	$ 8,179,952	$ 2,005,630	$ 21,236,828	$ 31,422,410

Board-designated endowment funds as of August 31, 2015, are summarized as follows:

	Total Unrestricted
Investment balance	$ 38,179,952
Bonds payable	(30,000,000)
Total	$ 8,179,952

Changes in endowment net assets for the year ended August 31, 2015, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 14,898,208	$ 2,024,100	$ 23,031,640	$ 39,953,948
Contributions	86,453	-	55,316	141,769
Investment income	4,412	6,649	414,887	425,948
Net depreciation	(1,920,339)	(5,378)	(1,866,115)	(3,791,832)
Amounts appropriated for expenditure	(4,888,782)	(19,741)	(398,900)	(5,307,423)
Endowment net assets, end of year	$ 8,179,952	$ 2,005,630	$ 21,236,828	$ 31,422,410

Endowment net asset composition by type of fund as of August 31, 2014, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 2,024,100	$ 23,031,640	$ 25,055,740
Board-designated endowment funds	14,898,208	-	-	14,898,208
Total Funds	$ 14,898,208	$ 2,024,100	$ 23,031,640	$ 39,953,948

Board-designated endowment funds as of August 31, 2014, are summarized as follows:

	Total Unrestricted
Investment balance	$ 44,898,208
Bonds payable	(30,000,000)
Total	$ 14,898,208

Changes in endowment net assets for the year ended August 31, 2014, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 13,615,888	$ 1,893,374	$ 21,041,527	$ 36,550,789
Contributions	233,034	-	47,172	280,206
Investment income	16,055	6,944	346,533	369,532
Net appreciation	6,302,581	143,523	1,933,602	8,379,706
Reclassification	(235,935)	-	-	(235,935)
Amounts appropriated for expenditure	(5,033,415)	(19,741)	(337,194)	(5,390,350)
Endowment net assets, end of year	$ 14,898,208	$ 2,024,100	$ 23,031,640	$ 39,953,948

Note 7: Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Glenwood has been informed by the representative of a donor with an outstanding pledge balance of $1,000,000 that the pledge commitment will not be fulfilled. Management has written off this pledge as of August 31, 2015.

Pledges receivable at August 31, 2015 and 2014, include the following:

	2015	2014
Less than one year	$ 15,000	$ 1,012,500

Note 8: Defined Benefit Plan

Qualified Glenwood employees are eligible to participate in the Glenwood School Employee Retirement Plan, a noncontributory, defined benefit plan. Benefits under the plan are a function of the years of service and the level of compensation prior to an employee's retirement date. Glenwood's funding policy is to make the minimum annual contribution required by the Employee Retirement Income Security Act of 1974. Pension expense is recognized using the projected unit credit method.

The plan was frozen as of August 31, 2005. No new participants will be added to the plan nor will additional benefits accrue to existing participants after August 31, 2005.

The following table sets forth further information about Glenwood's defined benefit pension plan for the years ended August 31, 2015 and 2014:

	2015	2014
Projected benefit obligation	$ (7,546,089)	$ (7,475,357)
Fair value of plan assets at end of year	4,941,868	5,304,526
Funded status	$ (2,604,221)	$ (2,170,831)
Accumulated benefit obligation	$ 7,546,089	$ 7,475,357
Employer contributions	254,542	240,058
Benefits paid	(453,658)	(418,999)

Amounts recognized in the consolidated financial statements of financial position at August 31, 2015 and 2014, consist of:

	2015	2014
Liability	$ (2,604,221)	$ (2,170,831)

Amounts recognized in the consolidated statements of activities for the years ended August 31, 2015 and 2014, consist of:

	2015	2014
Net loss	$ 783,916	$ 238,031
Amortization of net loss	(81,393)	(74,980)
Total pension-related changes other than periodic pension cost	702,523	163,051
Net periodic pension cost (income)	(14,591)	51,969
	$ 687,932	$ 215,020

The estimated net loss that will be amortized from changes in unrestricted net assets into net periodic benefit cost in 2016 is $104,649.

The following assumptions were used in accounting for the pension plan for the years ended August 31, 2015 and 2014:

	2015	2014
Weighted-average assumptions used to determine pension benefit obligations		
Discount rate	4.08%	3.70%
Weighted-average assumptions used to determine net periodic benefit cost		
Discount rate	3.70%	4.50%
Expected long-term rate of return on assets	7.00%	7.00%

The expected long-term rate of return on assets in determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future returns by asset class.

The following benefit payments are expected to be paid in the years ending August 31, 2016 through 2025:

Year	Amount
2016	$ 497,057
2017	497,886
2018	508,246
2019	499,927
2020	497,877
2021 - 2025	2,421,863

Glenwood expects to make contributions in the amount of $270,481 to the plan during the fiscal year ending in 2016.

Glenwood's overall investment strategy is to achieve a mix of investments that enhances the purchasing power of the plan's assets while satisfying current obligations. The target allocations of plan assets are 50% to 60% equity securities and the remainder in fixed income securities. Glenwood's investment strategy is predicated on the expectation that equity securities generally yield higher returns than fixed income securities. Glenwood attempts to mitigate investment risk by regularly assessing the plan's current and projected needs and long-term outlook for capital markets, and revises the asset allocation accordingly.

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include short-term investments and registered investment companies. See Note 14.

The fair value of Glenwood's pension plan assets at August 31, 2015 and 2014, by asset class are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
August 31, 2015				
Cash	$ 1	$ 1	$ -	$ -
Short-term investments	74,501	74,501	-	-
Mutual funds				
Large cap equity funds	1,400,332	1,400,332	-	-
Mid cap equity funds	210,470	210,470	-	-
Small cap equity funds	105,440	105,440	-	-
International equity funds	727,526	727,526	-	-
Real estate equity funds	314,660	314,660	-	-
Domestic fixed income funds	1,175,490	1,175,490	-	-
International fixed income funds	390,351	390,351	-	-
Emerging markets equity fund	238,559	238,559	-	-
Other	304,538	304,538	-	-
	4,867,366	4,867,366	-	-
Total	$ 4,941,868	$ 4,941,868	$ -	$ -
August 31, 2014				
Cash	$ 5,132	$ 5,132	$ -	$ -
Short-term investments	5,407	5,407	-	-
Mutual funds				
Bond funds	1,812,752	1,812,752	-	-
Large cap equity funds	1,781,218	1,781,218	-	-
Mid cap equity funds	328,767	328,767	-	-
Small cap equity funds	159,326	159,326	-	-
International equity funds	792,136	792,136	-	-
Real estate equity funds	266,793	266,793	-	-
Commodity funds	152,995	152,995	-	-
	5,293,987	5,293,987	-	-
Total	$ 5,304,526	$ 5,304,526	$ -	$ -

Note 9: Defined Contribution Plan

Glenwood maintains a defined contribution retirement plan for its employees. Contributions to the plan are at the discretion of Glenwood. Glenwood contributed $188,494 and $196,960 during 2015 and 2014, respectively. Glenwood also maintains a defined contribution 403(b) plan whereby employees only may make contributions.

Note 10: Deferred Compensation Plan

In March 2008, Glenwood adopted a non-qualified deferred compensation plan as allowed under Section 457(b) of the Internal Revenue Code for its President. Glenwood contributes an amount based on a percentage of the President's compensation. There were no contributions made in 2015 and 2014.

Note 11: Property, Plant and Equipment

At August 31, 2015 and 2014, property, plant and equipment consisted of the following:

	2015	2014
South Campus		
Land	$ 87,734	$ 87,734
Buildings	9,893,236	9,893,236
Improvements	7,379,796	7,064,664
Equipment	2,058,973	1,914,630
	19,419,739	18,960,264
Less accumulated depreciation	(11,828,799)	(11,282,632)
Net South Campus property, plant and equipment	$ 7,590,940	$ 7,677,632

Glenwood has determined that certain property located in St. Charles, Illinois (West Campus) is no longer needed for its operations. Glenwood entered into a purchase and sales agreement for this property dated November 5, 2014, and expects the sale to be finalized in the first quarter of 2016. The property is reflected on the statement of financial position as available for sale in the amount of $8,300,000.

Note 12: Operating lease Commitments

Glenwood receives rental income related to a lease of land for a propane storage facility. The noncancellable operating lease has a term of three years, and expires in 2016. The following is a schedule, by year, of future minimum rental income under the lease as of August 31, 2015:

Year Ending August 31,	Amount
2016	$ 17,400
2017 (estimated)	17,400
2018 (estimated)	17,400
2019 (estimated)	17,400
2020 (estimated)	17,400
2021 (estimated)	17,400

The lease is renewable every three years and has been renewed consistently since inception. Glenwood anticipates the lease will be extended for another term at the historical increases. The schedule above reflects these assumptions. Rental income for the years ended August 31, 2015 and 2014, was $17,400 per year.

Note 13: Bonds Payable

In May 1993, the County of Kane, Illinois issued $14,000,000 of Adjustable Demand Revenue Bonds, Series 1993 in the name of Glenwood Academy, which mature, subject to prior redemption, on February 1, 2028. The proceeds of these bonds were utilized for the construction of the West Campus in Kane County, Illinois.

In April 1998, the Illinois Development Finance Authority issued $16,000,000 of Adjustable Rate Demand Revenue Bonds, Series 1998 in the name of Glenwood Academy, which mature, subject to prior redemption, on February 1, 2033. The proceeds of these bonds were used for improvements at the South and West Campuses.

The Reimbursement Agreements relating to the 1993 and 1998 bonds require Glenwood to maintain a minimum liquidity ratio. As of August 31, 2015, Glenwood was not in compliance with the covenant required under the agreement and has obtained a waiver from the bank dated December 4, 2015.

These bonds are secured by two letters of credit which were refinanced on August 1, 2012, and issued by Fifth Third Bank. The letters of credit for the $14,000,000 bonds and the $16,000,000 bonds expire on July 15, 2016.

Investments held by US Bank, in its role as trustee, are held in accordance with the Bond Indenture. These investments consist of money market funds. All income and gains from these investments are reinvested in the bond futures. See Note 3.

The bonds bear interest at a rate determined by a remarketing agent. At August 31, 2015, the interest rate on the bonds was 0.11%. Interest incurred during 2015 was $47,819. Interest incurred during 2014 was $52,710.

According to the Reimbursement Agreements, the bonds are redeemable in part prior to their maturity on or prior to the following dates and in the following amounts:

February 1,	Amount
2016	$ 800,000
2017	800,000
2018	800,000
2019	800,000
2020	800,000
Thereafter	26,000,000
	$ 30,000,000

Note 14: Fair Value Measurements

Generally accepted accounting principles provide a uniform framework for the definition, measurement and disclosure of fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Such accounting guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2015 and 2014.

The fair value of shares of exchange traded and mutual funds is determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1 inputs).

Publicly traded common stock values are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1).

Assets limited to use as designated by debt agreements consist of investments that are comprised of a U.S. government money market fund, which is valued at cost, which approximates fair value (Level 1 inputs).

The contributions receivable from split-interest arrangements that are valued using Level 2 inputs are based on the present value of the future cash flows using a discount rate of 7.0%. The beneficial interest in perpetual trusts that are valued using Level 2 inputs is based on a proportionate share of the total trust balance. Assets and liabilities held under split-interest arrangements that are valued using Level 2 inputs are based on the present value of the future cash flows using a discount rate of 7.0% and published life expectancy tables.

The fair value of corporate bonds and notes is obtained from independent quotation bureaus that use computerized valuation formulas to calculate current values (Level 2 inputs).

The non traditional asset class is comprised of mainly hedge funds and private equities. The fair value of units held in the hedge funds are based on their net asset values, as reported by UBS Financial Services, Inc. and as supported by the unit prices of actual purchase and sale transactions occurring as of or close to the financial statement date. The fair value of the hedge fund that invests in private placements and other securities, for which values are not readily available, is determined in good faith by the investment advisors to the respective portfolio funds and is classified within Level 2 of the fair value hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Glenwood 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 fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, Glenwood's assets and liabilities measured at fair value on a recurring basis as of August 31, 2015 and 2014:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
August 31, 2015				
Assets				
Investments				
Exchange traded funds				
Fixed income funds	$ 2,137,950	$ 2,137,950	$ -	$ -
Common stock				
US	17,648,805	17,648,805	-	-
International	2,913,580	2,913,580	-	-
Mutual funds				
US fixed income	3,860,150	3,860,150	-	-
Global	6,571,003	6,571,003	-	-
International	1,250,744	1,250,744	-	-
Other	925,978	925,978	-	-
Corporate bonds and notes	1,619,766	-	1,619,766	-
Non-traditional	806,673	-	806,673	-
Contributions receivable from split-interest arrangements	1,707,411	-	1,707,411	-
Assets limited as to use-externally designated under debt agreements				
Government money market fund	180,036	180,036	-	-
Assets held under split-interest arrangements				
Charitable gift annuities	265,261	-	265,261	-
Charitable remainder trusts	519,704	-	519,704	-
Benficial interest in perpetual trusts	13,221,156	-	13,221,156	-
Total assets	$ 53,628,217	$ 35,488,246	$ 18,139,971	$ -
Liabilities				
Liabilities held under split-interest arrangements	$ 104,987	$ -	$ 104,987	$ -

Glenwood Academy
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	Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
August 31, 2014				
Assets				
Investments				
Exchange traded funds				
Equity funds	$ 1,386,600	$ 1,386,600	$ -	$ -
Fixed income funds	2,508,950	2,508,950	-	-
Common stock				
US	16,985,473	16,985,473	-	-
International	4,791,000	4,791,000	-	-
Mutual funds				
US fixed income	5,306,750	5,306,750	-	-
Global	4,227,436	4,227,436	-	-
International	1,423,823	1,423,823	-	-
Other	4,299,604	4,299,604	-	-
Corporate bonds and notes	2,124,591	-	2,124,591	-
Non-traditional	1,363,798	-	1,363,798	-
Contributions receivable from split-interest arrangements	1,762,429	-	1,762,429	-
Assets limited as to use-externally designated under debt agreements				
Government money market fund	180,036	180,036	-	-
Assets held under split-interest arrangements				
Charitable gift annuities	265,261	-	265,261	-
Charitable remainder trusts	538,316	-	538,316	-
Benficial interest in perpetual trusts	14,243,761	-	14,243,761	-
Total assets	$ 61,407,828	$ 41,109,672	$ 20,298,156	$ -
Liabilities				
Liabilities held under split-interest arrangements	$ 110,164	$ -	$ 110,164	$ -

Note 15: Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

Glenwood maintains cash balances at various institutions that at times exceed Federal Deposit Insurance Corporation insured limits. No losses are expected to result from balances in excess of insurance coverage.

Note 16: Risks and Uncertainties

Glenwood invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that those changes could materially affect the amounts reported in the consolidated financial statements.

Note 17: Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to agree with the 2015 presentation with no effect on the change in net assets or total net assets.

Note 18: Subsequent Events

Glenwood has evaluated subsequent events through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.