

**LITTLE SISTERS FUND, INC.**

**Financial Statements and  
Independent Auditors' Report**

**December 31, 2015 and 2014**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Little Sisters Fund, Inc.  
Ketchum, Idaho

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Little Sisters Fund, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Sisters Fund, Inc., as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Northwest CPA Group PLLC**

Tri-Cities, Washington

July 6, 2016

## Little Sisters Fund, Inc.

### Statements of Financial Position

	December 31,	
	2015	2014
<b>ASSETS</b>		
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 209,657	\$ 173,983
Pledges receivable, <i>current</i>	-	19,000
Prepaid expenses	-	2,592
Education advances, <i>current</i>	13,775	-
Total current assets	223,432	195,575
 <i>PROPERTY AND EQUIPMENT:</i>		
Equipment	3,571	3,571
Less accumulated depreciation	3,571	3,111
	-	460
 <i>OTHER ASSETS:</i>		
Restricted certificates of deposit	450,000	450,000
Investments	906,884	935,144
Pledges receivable, <i>noncurrent</i>	-	1,000
Education advances, <i>noncurrent</i>	20,000	-
	1,376,884	1,386,144
	\$ 1,600,316	\$ 1,582,179
 <b>LIABILITIES AND NET ASSETS</b>		
<i>CURRENT LIABILITIES:</i>		
Accounts payable	\$ 2,599	\$ 15,039
Payroll liabilities	4,052	3,349
Total current liabilities	6,651	18,388
 <i>NET ASSETS:</i>		
Unrestricted	637,174	711,559
Temporarily restricted	506,491	402,232
Permanently restricted	450,000	450,000
	1,593,665	1,563,791
	\$ 1,600,316	\$ 1,582,179

**Little Sisters Fund, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>REVENUES AND SUPPORT:</i>				
Contributions	\$ 515,998	\$ 190,309	\$ -	\$ 706,307
Investment gain, <i>net</i>	4,739	-	-	4,739
	<u>520,737</u>	<u>190,309</u>	<u>-</u>	<u>711,046</u>
Net assets released from restrictions	86,050	(86,050)	-	-
	<u>606,787</u>	<u>104,259</u>	<u>-</u>	<u>711,046</u>
<i>EXPENSES:</i>				
Program services	583,581	-	-	583,581
Management and general	57,571	-	-	57,571
Fundraising	40,020	-	-	40,020
	<u>681,172</u>	<u>-</u>	<u>-</u>	<u>681,172</u>
<i>CHANGES IN NET ASSETS</i>	(74,385)	104,259	-	29,874
<i>NET ASSETS, BEGINNING OF YEAR</i>	<u>711,559</u>	<u>402,232</u>	<u>450,000</u>	<u>1,563,791</u>
<i>NET ASSETS, END OF YEAR</i>	<u>\$ 637,174</u>	<u>\$ 506,491</u>	<u>\$ 450,000</u>	<u>\$ 1,593,665</u>

**Little Sisters Fund, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>REVENUES AND SUPPORT:</i>				
Contributions	\$ 417,872	\$ 96,487	\$ -	514,359
Investment gain, <i>net</i>	84,086	-	-	84,086
	<u>501,958</u>	<u>96,487</u>	<u>-</u>	<u>598,445</u>
Net assets released from restrictions	87,467	(87,467)	-	-
	<u>589,425</u>	<u>9,020</u>	<u>-</u>	<u>598,445</u>
<i>EXPENSES:</i>				
Program services	331,434	-	-	331,434
Management and general	48,752	-	-	48,752
Fundraising	30,376	-	-	30,376
	<u>410,562</u>	<u>-</u>	<u>-</u>	<u>410,562</u>
<i>CHANGES IN NET ASSETS</i>	178,863	9,020	-	187,883
<i>NET ASSETS, BEGINNING OF YEAR</i>	<u>532,696</u>	<u>393,212</u>	<u>450,000</u>	<u>1,375,908</u>
<i>NET ASSETS, END OF YEAR</i>	<u>\$ 711,559</u>	<u>\$ 402,232</u>	<u>\$ 450,000</u>	<u>\$ 1,563,791</u>

**Little Sisters Fund, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2015**

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	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants to other organizations and student scholarships	\$ 495,445	\$ -	\$ -	\$ 495,445
Payroll expenses	68,873	34,437	34,437	137,747
Travel	16,634	-	1,928	18,562
Professional services	-	15,731	-	15,731
Supplies	-	2,371	1,368	3,739
Insurance	1,618	1,681	405	3,704
Telephone and communications	1,011	1,010	505	2,526
Office expenses	-	1,047	262	1,309
Meals and entertainment	-	-	607	607
Depreciation	-	230	230	460
Donor appreciation	-	-	269	269
Miscellaneous	-	1,064	9	1,073
	<u>\$ 583,581</u>	<u>\$ 57,571</u>	<u>\$ 40,020</u>	<u>\$ 681,172</u>



**Little Sisters Fund, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2014**

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	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants to other organizations and student scholarships	\$ 266,382	\$ -	\$ -	\$ 266,382
Payroll expenses	49,774	24,887	24,887	99,548
Travel	14,016	3,504	1,748	19,268
Professional services	-	16,048	-	16,048
Supplies	-	509	1,060	1,569
Insurance	692	1,312	347	2,351
Telephone and communications	570	570	285	1,425
Office expenses	-	662	166	828
Meals and entertainment	-	-	1,445	1,445
Depreciation	-	253	251	504
Donor appreciation	-	-	107	107
Miscellaneous	-	1,007	80	1,087
	<u>\$ 331,434</u>	<u>\$ 48,752</u>	<u>\$ 30,376</u>	<u>\$ 410,562</u>

## Little Sisters Fund, Inc. Statements of Cash Flows

	Years Ended December 31,	
	2015	2014
<b><i>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i></b>		
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES:</i></b>		
Cash received from donors	\$ 725,545	\$ 580,977
Cash paid to other nonprofit organizations, suppliers, and employees	(723,632)	(396,850)
Interest and dividends received	17,011	20,663
Net cash provided by operating activities	18,924	204,790
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES:</i></b>		
Purchases of investments	(501,552)	(179,253)
Proceeds from sale of investments	518,302	764
Purchases of certificates of deposit	(750,000)	(750,000)
Proceeds from redemption of certificates of deposit	750,000	700,000
Net cash provided by (used in) investing activities	16,750	(228,489)
<b><i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i></b>	35,674	(23,699)
<b><i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i></b>	173,983	197,682
<b><i>CASH AND CASH EQUIVALENTS, END OF YEAR</i></b>	\$ 209,657	\$ 173,983
 <b><i>Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities:</i></b>		
Changes in net assets	\$ 29,874	\$ 187,883
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	460	504
Realized loss (gain) on investments	(9,204)	106
Unrealized loss (gain) on investments	21,476	(63,529)
In-kind stock donation	(762)	(780)
Decrease (increase) in assets:		
Pledges receivable	20,000	67,398
Prepaid expenses	2,592	(2,592)
Education advances	(33,775)	-
Increase (decrease) in liabilities:		
Accounts payable	(12,440)	14,564
Payroll liabilities	703	1,236
Total adjustments	(10,950)	16,907
Net cash provided by operating activities	\$ 18,924	\$ 204,790

**Little Sisters Fund, Inc.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2015 and 2014**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

*Organization:*

Little Sisters Fund, Inc. (the Organization), was organized to provide and promote education, alleviate poverty, and foster family stability and cultural preservation in Nepal and throughout the world. The Organization currently provides long-term scholarships for economically disadvantaged girls in Nepal through relationships with non-governmental organizations (NGOs) in Nepal. The Organization has working relationships with these NGOs, but does not have a formal agreement with them or exercise control over them.

*Summary of Significant Accounting Policies:*

*Cash and cash equivalents* – The Organization considers all highly liquid investments with initial maturities of three months or less to be cash equivalents. Unrestricted cash held in a money market account at Fidelity Investments was \$115,911 and \$102,151 on December 31, 2015 and 2014, respectively.

*Pledges receivable* – In prior years, the Organization received unconditional promises to provide future cash payments. The present value of these estimated future cash flows is recorded as pledges receivable. The Organization periodically evaluates the balances in pledges receivable and any amounts significantly past due to determine whether there are any uncollectible amounts. When management determines that a receivable is uncollectible, the balance is removed from the receivables balance and is charged directly against contribution revenue. Subsequent recoveries of amounts previously written off are credited to contribution revenue. There were no pledges receivable at December 31, 2015. Management believes that all pledges were fully collectible at December 31, 2014.

*Property and equipment* – Property and equipment are stated at cost or, if donated, at their approximate fair value at the date of donation. The Organization capitalizes all property and equipment in excess of \$1,000. Depreciation is determined using the straight-line method over the assets' estimated useful lives of three years.

*Restricted certificates of deposit* – The Organization holds certificates of deposit at cost, which approximate fair value. Restricted certificates of deposit represent contributions that have been designated by a donor for long-term purposes. For the year ending December 31, 2015, the restricted certificates of deposit bear interest ranging from 0.40% to 1.25% and mature at various dates from February 2016 to December 2017.

**Little Sisters Fund, Inc.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2015 and 2014**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

*Summary of Significant Accounting Policies (continued):*

*Investments* – The Organization records investments in marketable securities with readily determinable market values at their fair value in the statements of financial position. Investment securities consist of a highly diversified portfolio of stocks, mutual funds, and bond funds. The investments in marketable securities are subject to market risk. Interest, dividends, and realized and unrealized gains and losses are included in investment income in the statements of activities and changes in net assets.

*Financial instruments* – At December 31, 2015 and 2014, the Organization’s financial instruments approximated fair value.

*Contributions* – The Organization accounts for contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a temporary restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Temporarily restricted contributions received in the same period the restrictions are met are recorded as unrestricted contributions.

*In-kind contributions* – Donated goods are recorded at their estimated fair value when received.

*Classification of contributions and net assets* – The accompanying financial statements present net assets and revenue based upon the existence or absence of donor-imposed restrictions in these classes: unrestricted, temporarily restricted, and permanently restricted. The donor of the Organization’s endowment fund has stipulated that the amounts in the endowment be maintained in fixed bank accounts, with the income generated from the funds utilized for the mission of the Organization. Based on the donor’s stipulations, the Organization has determined that the Uniform Prudent Management of Institutional Funds Act is not applicable to their current endowment.

*Functional expense reporting* – Costs of providing program and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among program services and supporting services based on estimates of the employee’s time incurred and usage of resources.

**Little Sisters Fund, Inc.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2015 and 2014**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

*Summary of Significant Accounting Policies (continued):*

*Income taxes* – The Organization has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is, therefore, generally exempt from income taxes. Accordingly, no tax provision has been provided for in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2012.

*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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**NOTE 2 – PLEDGES RECEIVABLE:**

The Organization’s pledges receivable consisted of unconditional promises to give and are due as follows:

	Years Ended December 31,	
	2015	2014
Total pledges receivable	\$ -	\$ 20,000
	\$ -	\$ 20,000
Amounts due in:		
Less than one year	\$ -	\$ 19,000
One to five years	-	1,000
	\$ -	\$ 20,000

**Little Sisters Fund, Inc.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2015 and 2014**

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**NOTE 3 – EDUCATION ADVANCES:**

The Organization provides educational assistance to selected Nepalese girls attending United States universities. As part of the agreement, each student is required to reimburse the Organization \$4,000 per year of college attendance for a total reimbursement of \$16,000 after four years of education. Interest is not assessed on outstanding advances. Repayment from each student is expected as follows:

Sophomore year	\$ 2,500
Junior year	2,500
Senior year	3,000
Within two years of graduation	8,000

As of December 31, 2015, amounts advanced are expected to be reimbursed as follows:

<u>Years Ending December 31,</u>	<u>Amounts</u>
2016	\$ 13,775
2017	-
2018	12,000
2019	4,000
2020	4,000
	<u>\$ 33,775</u>

Management periodically reviews the advances to determine whether an allowance is necessary based on collection experience and specific knowledge of student circumstances. Management considers all amounts fully collectible at December 31, 2015. Therefore, no allowance for doubtful accounts has been recorded. There were no educational advances as of December 31, 2014, since formal agreements for repayment had not yet been established with the students.

**Little Sisters Fund, Inc.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2015 and 2014**

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**NOTE 4 – INVESTMENTS:**

Assets and liabilities are recorded at fair value and disclosed using a three-level hierarchy. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level I – Quoted prices are available in active markets for identical investments as of the measurement date. The Organization does not adjust the quoted price for these investments.

Level II – Pricing inputs are observable for the investments, either directly or indirectly, as of the measurement date, but are not the same as those used in Level I. Fair value is determined through quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level III – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire measurement in the hierarchy.

Investments consisted of the following at December 31, 2015:

	Fair Value Level I	Cost
Stocks and mutual funds:		
Ishares TR S&P 500/Growth Index Fund	\$ 254,760	\$ 214,920
Ishares TR Russell 3000 Index Fund	155,441	116,693
Ishares Trust Core MSCI	89,240	104,572
Ishares Trust Core MSCI International	98,960	100,619
Matthews India Fund	148,562	110,405
Pimco Total Return Class D	79,921	84,756
Pimco Low Duration Class D	80,001	84,487
	<u>\$ 906,885</u>	<u>\$ 816,452</u>

**Little Sisters Fund, Inc.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2015 and 2014**

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**NOTE 4 – INVESTMENTS (continued):**

Investments consisted of the following at December 31, 2014:

	Fair Value Level I	Cost
Stocks and mutual funds:		
Dodge & Cox International Stock Fund	\$ 115,571	\$ 107,345
Ishares TR S&P 500/Growth Index Fund	177,556	125,813
Ishares TR Russell 3000 Index Fund	145,770	104,932
Matthews China Fund	92,256	109,701
Matthews India Fund	147,235	108,952
Pimco Total Return Class D	100,700	104,266
Pimco Low Duration Class D	156,056	162,226
	<u>\$ 935,144</u>	<u>\$ 823,235</u>

Investments classified as Level I all have publicly traded values, which are based on current quoted market prices provided by custodians. Fair values are provided primarily by custodians and are based on pricing models that incorporate available trade, bid, and other market information.

There were no Level II or Level III investments at December 31, 2015 or 2014.

The components of net investment gain are reflected below:

	2015	2014
Net unrealized gain (loss)	\$ (21,476)	\$ 63,529
Net realized gain (loss)	9,204	(106)
Dividends and interest	17,011	20,663
Total net investment gain	<u>\$ 4,739</u>	<u>\$ 84,086</u>



**Little Sisters Fund, Inc.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2015 and 2014**

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**NOTE 5 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS:**

Temporarily restricted net assets consisted of the following:

	December 31,	
	2015	2014
Contributions restricted by the donors for scholarships	\$ 410,590	\$ 382,232
Contributions restricted by donors for earthquake relief	95,901	-
Pledges receivable restricted until received	-	20,000
	\$ 506,491	\$ 402,232

Permanently restricted net assets consisted of \$450,000 in an endowment fund as of December 31, 2015 and 2014. The endowment fund is to be invested indefinitely and the income from the endowment is to be used for the Organization’s stated mission. The donor has stipulated that the endowment funds be invested solely in fixed deposits at banks at the board’s discretion. The endowment funds consist of the following assets:

	December 31,	
	2015	2014
Restricted certificates of deposit	\$ 450,000	\$ 450,000

**NOTE 6 – ENDOWMENT INVESTMENT AND SPENDING POLICIES:**

Effective in 2007, the State of Idaho adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Absent donor specific direction, UPMIFA establishes standards for endowment spending and preservation of the original gift. The Organization’s endowment consists of funds received with explicit donor stipulations. Therefore, the Organization has determined that UPMIFA is not applicable to their current endowment. The endowment is required to be maintained in fixed deposits at banks, with investment income treated as unrestricted and available to be expended to further the Organization’s nonprofit mission of providing long-term scholarships for economically disadvantaged girls in Asia. The board of directors considers the appropriation of endowment investment income to occur as earned and available for use. The endowment balance did not change during 2015 or 2014.

**Little Sisters Fund, Inc.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2015 and 2014**

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***NOTE 7 – CONCENTRATIONS:***

The Organization maintains its cash in bank deposit accounts with financial institutions. Cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation at various times during the year; management does not consider this to be a significant credit risk.

The Organization holds various types of investments that are not guaranteed and are subject to stock market fluctuations.

During the years ended December 31, 2015 and 2014, four donors represented 40.5% and two donors represented 43.6% of contribution revenue, respectively. In addition, one donor represented 75% of pledges receivable as of December 31, 2014.

During the year ended December 31, 2015, \$493,000 was donated to one nonprofit organization within Nepal to provide earthquake relief and scholarships for economically disadvantaged girls. During the year ended December 31, 2014, \$240,000 was donated to two nonprofit organizations within Nepal to provide scholarships for economically disadvantaged girls.

***NOTE 8 – NONCASH INVESTING ACTIVITIES:***

During the years ended December 31, 2015 and 2014, the Organization received non-cash donations of stock with the fair value on the date of donation of \$762 and \$780, respectively.

***NOTE 9 – SUBSEQUENT EVENTS:***

Subsequent events have been evaluated by management through July 6, 2016, which is the date the financial statements were available to be issued.