

**COMMUNITY FOUNDATION OF WESTERN NEVADA,
INCORPORATED AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013

COMMUNITY FOUNDATION OF WESTERN NEVADA,
INCORPORATED AND SUBSIDIARIES
DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Community Foundation of Western Nevada,
Incorporated and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Community Foundation of Western Nevada, Incorporated and Subsidiaries (a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 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 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 of 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Western Nevada, Incorporated and Subsidiaries as of December 31, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The December 31, 2012 consolidated financial statements of the Community Foundation of Western Nevada, Incorporated and Subsidiaries were audited by other accountants and they expressed an unmodified opinion on those consolidated financial statements in their report dated August 1, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedule of functional expenses on page 17 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Kohn & Company

Reno, Nevada
August 21, 2014



COMMUNITY FOUNDATION OF WESTERN NEVADA,
INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS AT DECEMBER 31, 2012)

	2013	2012 (Memorandum Only)
Assets		
Cash and cash equivalents	\$ 8,236,667	\$ 7,976,837
Investments		
Current	46,580,310	40,356,305
Long-term	12,639,555	12,722,812
Other assets	25,176	17,614
Contributions receivable	1,286,316	1,933,272
Property and equipment, net	1,224,122	1,254,251
Investments held for split-interest agreements	1,710,399	1,278,397
Total Assets	\$ 71,702,545	\$ 65,539,488
Liabilities		
Accounts payable	\$ 46,410	\$ 45,877
Split-interest agreements	1,710,399	1,278,397
Accrued payroll	20,663	15,717
Grants payable	5,492,885	7,587,875
Funds held for others	6,779,584	6,665,892
Total Liabilities	14,049,941	15,593,758
Net Assets		
Unrestricted		
Designated	3,356,011	3,204,109
Undesignated	25,417,333	20,036,401
Temporarily restricted	19,016,851	17,163,286
Permanently restricted	9,862,409	9,541,934
Total Net Assets	57,652,604	49,945,730
Total Liabilities and Net Assets	\$ 71,702,545	\$ 65,539,488

See accompanying notes

**COMMUNITY FOUNDATION OF WESTERN NEVADA,
INCORPORATED AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total (Memorandum Only)
Public support, revenue and transfers					
Contributions	\$ 209,893	\$ 2,926,703	\$ 4,906,636	\$ 8,043,232	\$ 12,921,847
Rental income	89,582	-	-	89,582	109,619
Investment income, net	6,170,868	-	-	6,170,868	3,480,909
Change in the value of split-interest trusts	54,682	-	-	54,682	54,526
Miscellaneous income	400,375	172,041	-	572,416	568,794
Total public support and revenue	6,925,400	3,098,744	4,906,636	14,930,780	17,135,695
Net assets released from restrictions and reclassifications	5,831,340	(1,245,179)	(4,586,161)	-	-
Total public support, revenue, and transfers	12,756,740	1,853,565	320,475	14,930,780	17,135,695
Expenses					
Program services and grants	6,597,324	-	-	6,597,324	5,120,908
General and administrative	524,831	-	-	524,831	483,621
Fundraising	101,751	-	-	101,751	96,023
Total expenses	7,223,906	-	-	7,223,906	5,700,552
CHANGE IN NET ASSETS	5,532,834	1,853,565	320,475	7,706,874	11,435,143
Net assets at beginning of year	23,240,510	17,163,286	9,541,934	49,945,730	38,510,587
Net assets at end of year	\$ 28,773,344	\$ 19,016,851	\$ 9,862,409	\$ 57,652,604	\$ 49,945,730

See accompanying notes

COMMUNITY FOUNDATION OF WESTERN NEVADA,
INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	2013	2012 (Memorandum Only)
Cash flows from operating activities		
Cash received from contributions, rent and royalties	\$ 3,370,817	\$ 6,103,726
Cash paid for gifts and grants	(8,337,872)	(8,711,930)
Cash received from investments	808,186	730,836
Cash received for fund administration	572,416	568,794
Cash paid for expenses	(931,546)	(959,017)
Change in funds held for others, net	600,376	(510,124)
Net cash flows from operating activities	<u>(3,917,623)</u>	<u>(2,777,715)</u>
Cash flows from investing activities		
Purchase of equipment	(21,432)	-
Payments for purchase of investments	(11,847,976)	(8,373,709)
Cash received from sale of investments	16,046,861	14,866,914
Net cash flows from investing activities	<u>4,177,453</u>	<u>6,493,205</u>
Net change in cash and cash equivalents	259,830	3,715,490
Cash and cash equivalents at beginning of year	<u>7,976,837</u>	<u>4,261,347</u>
Cash and cash equivalents at end of year	<u>\$ 8,236,667</u>	<u>\$ 7,976,837</u>
Reconciliation of change in net assets to net cash flows from operating activities		
Change in net assets	\$ 7,706,874	\$ 11,435,143
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	51,561	50,670
Noncash contributions, net	(5,408,953)	(6,740,296)
Net realized and unrealized gain on investments	(5,362,682)	(2,750,073)
Change in:		
Other assets	(7,562)	(17,611)
Contributions receivable	646,956	(187,444)
Accounts and grants payable	(2,094,457)	(4,016,671)
Split-interest agreements and funds held for others	545,694	(564,650)
Accrued payroll	4,946	15,717
Deferred income	-	(2,500)
Net cash flows from operating activities	<u>\$ (3,917,623)</u>	<u>\$ (2,777,715)</u>
Supplemental disclosure		
Noncash investing activities		
Donation of real estate and stock held for investment	\$ 5,238,548	\$ 6,740,296
Cash paid for interest	9,388	11,029
Investments received as payment of contributions receivable	910,292	495,000

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

COMMUNITY FOUNDATION OF WESTERN NEVADA,
INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Community Foundation of Western Nevada, Incorporated and Subsidiaries' (Foundation) activities and significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Nature of Activities

The Foundation is organized as a nonprofit corporation under the laws of the State of Nevada to compliment and enhance the existing philanthropic efforts of nonprofit organizations.

During 2000, the Foundation received a contribution of a limited liability company, CFX, LLC. This wholly-owned subsidiary has partial ownership in a leasehold, which is a building leased out to grocery stores in Tennessee.

During 2003, the Foundation established CFCP, LLC. This wholly-owned subsidiary was created for the purpose of receiving donated property.

During 2011, the Foundation established CFRSO, LLC. This wholly-owned subsidiary received varying fractional memberships of five separate LLCs. The memberships were created from the voluntary conversion of fractional ownership positions in direct investment loans as notes receivables secured by real estate.

CFRSO, LLC also received varying fractional ownerships of 18 separate notes receivables. The pledges were created from direct investment loans as notes receivable secured by real estate.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and its wholly-owned subsidiaries, CFX, LLC, CFCP, LLC and CFRSO, LLC. All material intercompany accounts and transactions have been eliminated.

Classification of Net Assets

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*, requires the Foundation to report information regarding its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, based upon the existence or absence of donor-imposed restrictions.

The Articles of Incorporation of the Foundation include a variance provision giving the Board of Directors (the Board) the power to modify any restriction or condition placed on gifts to the Foundation if, in its sole judgment, the Board determined that the restriction becomes, in effect, incapable of fulfillment or inconsistent with the charitable needs of the community. The Foundation's governing documents further provide that, absent contrary directions given in the transferring instrument regarding the use of the principal, all or part of the principal of any fund may be used subject to certain conditions, including approval of the Board and Trustee holding each fund. Accordingly, such contributions are reported as unrestricted net assets.

Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time are designated as temporarily restricted. The Foundation's temporarily restricted net assets are primarily composed of contributions received for scholarships and specific areas of interest.

Permanently restricted net assets are subject to donor-imposed restrictions that will be maintained in perpetuity. The investment income generated by these assets is available for general support of the Foundation's programs and operations.

COMMUNITY FOUNDATION OF WESTERN NEVADA,
INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

For financial reporting purposes, the Foundation considers all money market and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Foundation maintains cash and money market balances in financial institutions which may, at times, exceed federally insured limits as insured by the FDIC or SPIC Insurance. Although balances held in cash and cash equivalents at December 31, 2013 exceed the insurance limits by \$7,425,814, the Foundation has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk on cash funds.

Investments

Investments in debt securities and equity securities with readily determinable market values are recorded at fair value. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last day of the fiscal year; securities traded on the over-the-counter market are valued at the last reported bid price. Non-publicly traded stock is based upon an appraisal that is done on the stock once every five years.

Real estate investments are recorded at fair value determined by periodic appraisals which are obtained as deemed necessary based upon economic conditions and management discretion. LLC ownership values are based upon the assessed value of the property held less a blended discount rate of 30% for lack of marketability and minority interest. Notes receivable are valued on the lower of the assessed value of the property held as security against the note, less a blended discount rate of 30% for lack of marketability and minority interest or the original note value. For both the LLC ownership values and the notes receivable values, if actual information based on subsequent sale or comparable sale information is available, that value is deemed to be the fair value of the investment.

The fair value of other investments in hedge funds for which quoted market prices are not available is determined by management with the assistance of third-party investment managers in good faith using methods it considers appropriate. Securities are generally held in custodial investment accounts administered by certain financial institutions.

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated on the underlying fair value of individual lots. Interest income is recorded when earned and dividends are recorded on the ex-dividend date.

Investments are made according to the Investment Objectives and Policies adopted by the Foundation's Board. These guidelines provide for investment in equities, fixed income, and other securities with performance measured against appropriate indices. The Board contracts outside parties to provide investment management and consulting.

In general, investment securities are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their face value, which approximates the estimated realizable value in the year made. Unconditional promises to give that are expected to be collected in future years are recorded as pledges receivable. The contribution receivables are considered fully collectible by management; therefore, no allowance for doubtful accounts is included in the financial statements.

COMMUNITY FOUNDATION OF WESTERN NEVADA,
INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Foundation capitalizes all expenditures of property and equipment in excess of \$1,000.

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets of three to thirty-nine years.

The Foundation evaluates the recoverability of its long-lived assets based on whether a particular asset is impaired. An asset is considered impaired if the net book value of such assets exceeds the future undiscounted cash flows attributable to such assets. Accordingly, the Foundation evaluates asset recoverability at each balance sheet date or when an event occurs that may impair recoverability of the asset.

Grants Payable

Grants and scholarships are made from available principal and income in accordance with the designations of donors. Grants are recorded at the date of approval by the Board or when a donor-advised grant award is communicated to the grantee.

Split-Interest Agreements

Obligations under split-interest agreements, including charitable remainder trusts and gift annuities, are recorded when incurred at the present value of the distributions to be made to the donor-designated beneficiaries. Distributions are paid over the lives of the beneficiaries or another specified period. Present values are determined using discount rates and actuarially determined expected lives. Split-interest agreements are revalued annually to reflect actual experience; the discount rate is not changed. The net revaluations, together with any remaining recorded obligations after all trust or gift obligations under terminated agreements have been satisfied, are recorded as net changes in the value of split-interest agreements.

Functional Expenses

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

Income Taxes

The Foundation is a non-profit corporation exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3); therefore, no provision for income tax is provided. The Foundation has been classified as an organization that is not a private foundation and has been designated as a publicly-supported organization. Tax positions to consider include, but are not limited to:

- Classification of program services, administrative and fundraising expenses
- Characterization of its activities as related or unrelated to its tax exempt purpose

It is the Foundation's tax position that it has not engaged in activities that would jeopardize its exempt status nor has it engaged in activities that would result in unrelated business income tax.

Although the Foundation has not been notified of any pending federal or state income tax examinations, its returns are subject to examination within a three year statute of limitations. The 2010 through the current period returns are still subject to examination as of December 31, 2013.

**COMMUNITY FOUNDATION OF WESTERN NEVADA,
INCORPORATED AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Contributed securities are recorded at averaged fair value at the date of donation.

Pension Plan

Employees may elect to participate in a Tax Sheltered Annuity (TSA) plan offered by the Foundation. The program is 50% funded by employees with a match provided by the Foundation of 50%. The program provided up to 6% of the employees' wages to be matched in 2013.

Subsequent Events

Subsequent events have been evaluated through August 21, 2014, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures 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.

Reclassification

Certain items on the 2012 issued financial statements have been reclassified to conform to the 2013 current year presentation.

NOTE 2 – INVESTMENTS

Total investments consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Mutual funds	\$ 35,855,701	\$ 32,624,872
Equity securities	11,134,544	7,936,379
Certificates of deposit	-	99,958
Life insurance policy	62,498	59,714
Real estate	2,713,581	2,777,341
Non-publicly traded stock	8,855,000	8,855,000
Notes receivable	1,300,468	972,784
LLC ownerships	1,000,472	1,023,465
Violin	8,000	8,000
Mineral rights	-	1
	<u>\$ 60,930,264</u>	<u>\$ 54,357,514</u>

COMMUNITY FOUNDATION OF WESTERN NEVADA,
INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 2 – INVESTMENTS (Continued)

Investment income consists of the following for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 1,036,850	\$ 899,347
Net realized and unrealized gains (losses)	5,362,682	2,750,073
Investment management fees	<u>(228,664)</u>	<u>(168,511)</u>
	<u>\$ 6,170,868</u>	<u>\$ 3,480,909</u>

Generally accepted accounting principles requires disclosures regarding fair value measurements which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 category investments have active markets for identical investments as of the reporting date. Level 2 category investments have active markets for identical investments and may have lowered credit ratings, limited market, investment restrictions or other impediments. Level 3 category investments have little or no market activity for the asset or liability or use estimates and assumptions related to the pricing and/or valuation of the asset or liability.

Investments are categorized by level as follows at December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Recurring				
Mutual funds	\$ 35,855,701	\$ -	\$ -	\$ 35,855,701
Equity securities	11,134,544	-	-	11,134,544
Life insurance policy	-	62,498	-	62,498
	<u>46,990,245</u>	<u>62,498</u>	<u>-</u>	<u>47,052,743</u>
Nonrecurring				
Real estate	-	2,713,581	-	2,713,581
Non-publicly traded stock	-	-	8,855,000	8,855,000
Notes receivable	-	-	1,300,468	1,300,468
LLC ownerships	-	-	1,000,472	1,000,472
Violin	-	8,000	-	8,000
	<u>-</u>	<u>2,721,581</u>	<u>11,155,940</u>	<u>13,877,521</u>
	<u>\$ 46,990,245</u>	<u>\$ 2,784,079</u>	<u>\$ 11,155,940</u>	<u>\$ 60,930,264</u>

Following is a summary of the changes in Level 3 investments for the year ended December 31, 2013:

Beginning balance	\$ 10,851,250
Contributions	29,130
Investment income	367,870
Sale of investments	<u>(92,310)</u>
Ending balance	<u>\$ 11,155,940</u>

**COMMUNITY FOUNDATION OF WESTERN NEVADA,
INCORPORATED AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 2 – INVESTMENTS (Continued)

Investments are categorized by level as follows at December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Recurring				
Mutual funds	\$ 32,624,872	\$ -	\$ -	\$ 32,624,872
Equity securities	7,936,379	-	-	7,936,379
Certificates of deposit	-	99,958	-	99,958
Life insurance policy	-	59,714	-	59,714
	<u>40,561,251</u>	<u>159,672</u>	<u>-</u>	<u>40,720,923</u>
Nonrecurring				
Real estate	-	2,777,341	-	2,777,341
Non-publicly traded stock	-	-	8,855,000	8,855,000
Notes receivable	-	-	972,784	972,784
LLC ownerships	-	-	1,023,465	1,023,465
Violin	-	8,000	-	8,000
Mineral rights	-	-	1	1
	<u>-</u>	<u>2,785,341</u>	<u>10,851,250</u>	<u>13,636,591</u>
	<u>\$ 40,561,251</u>	<u>\$ 2,945,013</u>	<u>\$ 10,851,250</u>	<u>\$ 54,357,514</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Software	\$ 23,932	\$ 19,032
Office equipment	31,508	34,177
Rental property	1,829,295	1,829,295
	<u>1,884,735</u>	<u>1,882,504</u>
Less accumulated depreciation	(660,613)	(628,253)
	<u>\$ 1,224,122</u>	<u>\$ 1,254,251</u>

NOTE 4 – SPLIT-INTEREST AGREEMENTS

The Foundation's split-interest agreements with donors consist primarily of charitable gift annuities and irrevocable charitable remainder uni-trusts for which the Foundation serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.

Contribution revenue for charitable gift annuities and charitable remainder uni-trusts is recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries.

The present value of payments to beneficiaries of charitable gift annuities and charitable remainder uni-trusts are calculated using discounted rates which represent the risk-free rates in existence at the date of the gift. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount rate are recorded as increases or decreases in the respective net assets in the consolidated statement of activities.

Contributions received for split-interest agreements were \$450,000 for the year ended December 31, 2013.

**COMMUNITY FOUNDATION OF WESTERN NEVADA,
INCORPORATED AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 5 – GRANTS PAYABLE

Pledges payable represent promises to give. Following are amounts scheduled to be paid at December 31:

	<u>2013</u>	<u>2012</u>
Due in one year	\$ 2,781,826	\$ 5,271,115
Due in two to five years	2,711,059	2,316,760
	<u>\$ 5,492,885</u>	<u>\$ 7,587,875</u>

NOTE 6 – TRANSACTIONS IN FUNDS HELD FOR OTHERS

Financial activities related to agency funds are recorded as adjustments to the funds held for agencies' liabilities and, therefore, are not included in the consolidated statement of activities. The agency fund transactions are summarized below.

	<u>2013</u>	<u>2012</u>
Funds held for agencies, beginning of year	\$ 6,665,892	\$ 7,262,124
Additions		
Contributions	231,786	165,526
Investment returns	416,281	481,267
	<u>648,067</u>	<u>646,793</u>
Deductions		
Grant distributions	(474,492)	(1,170,030)
Investment expenses	(52,105)	(44,074)
Expenses to funds	(7,778)	(28,921)
	<u>(534,375)</u>	<u>(1,243,025)</u>
Change in balance	113,692	(596,232)
Funds held for agencies, end of year	<u>\$ 6,779,584</u>	<u>\$ 6,665,892</u>

NOTE 7 – RESTRICTED NET ASSETS

Restricted net assets are to be held available for the following purposes as of December 31:

	<u>2013</u>	<u>2012</u>
Temporarily restricted		
Donor advised	\$ 1,790,466	\$ 1,881,113
Designated	14,525,963	12,678,995
Endowments	112,994	3,434
Scholarships	2,587,428	2,599,744
Total	<u>\$ 19,016,851</u>	<u>\$ 17,163,286</u>
Permanently restricted		
Donor advised	\$ 735,471	\$ 1,099,807
Designated	792,012	457,376
Endowments	7,322,386	7,062,498
Scholarships	1,012,540	922,253
Total	<u>\$ 9,862,409</u>	<u>\$ 9,541,934</u>

The Foundation has adopted investment policies that seek to preserve capital, regularly evaluate and control risk to ensure it is commensurate with the given investment style and objective of the portfolio, and are invested with the care, skill, prudence, and diligence with the goal of producing returns equal to or exceeding prevailing standards among community foundations of similar asset size. The investment strategy for

**COMMUNITY FOUNDATION OF WESTERN NEVADA,
INCORPORATED AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 7 – RESTRICTED NET ASSETS (Continued)

endowed funds utilizes a "total return," that is, the aggregate return from capital appreciation and dividend and interest income. The donor (the person or organization that established the fund) or the fund representative authorized by the fund agreement may choose the investment option for their fund.

NOTE 8 – ENDOWMENT FUNDS

The Board of Directors, on the advice of counsel, has adopted a spending plan that continues to follow the Uniform Prudent Management of Institutional Funds Act by enforcing no spending of the permanently restricted portion of donor funds, which consists of the historic gift, or corpus, of the fund. The objective of endowed funds is that the principal gift(s) of the fund will be held forever. Charitable distributions will be spent from a fund's net earnings according to the Foundation's spending policy. The spending policy is established to ensure the availability of grant making dollars to the community in perpetuity. The policy currently establishes a target return of CPI (consumer price index) plus five percent. The funds available for grant making is determined each year (which was five percent for 2013) are calculated based on the prior year ending value. Both the Finance Committee and the Board of Directors of the Foundation must approve any changes to the spending percentage.

The Foundation's endowment consists of funds established to finance grants and benefit various charities. Its endowment includes donor-restricted funds that are reflected as endowments and scholarships in the temporarily restricted net assets and permanent endowments that are reflected as permanently restricted net assets. As required by generally accepted accounting principles, 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. No funds were designated as endowments by the Board of Directors during the year ended December 31, 2013.

Change in endowment net assets for the year ended December 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>
Endowment net assets,				
beginning of year	\$ 454,611	\$ 3,434	\$ 7,062,498	\$ 7,520,543
Contributions	37	10,000	277,586	287,623
Investment return	1,094,256	-	-	1,094,256
Expenses				
Grants	(298,591)	-	-	(298,591)
Administrative expenses	(58,570)	-	-	(58,570)
Transfer of spendable resources	(81,862)	99,560	(17,698)	-
Endowment net assets,				
end of year	<u>\$ 1,109,881</u>	<u>\$ 112,994</u>	<u>\$ 7,322,386</u>	<u>\$ 8,545,261</u>

Return Objectives and Risk Parameters: 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 endowments assets. Endowment assets include those assets of donor restricted funds that the Fund must hold for a donor specified period, and includes the earnings on those funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a maximum return while assuming a moderate to low level of investment risk that will be measured based upon an annualized rate of return over a five year continuous time period. The Foundation expects its endowment funds, over time, to provide a positive rate of return annually. Actual returns in any given year may vary.

Strategies Employed to Achieve Objectives: To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividend). The Foundation targets a diversified asset allocation that places an emphasis on balancing accounts by various asset classes including equity, real estate, fixed income instruments and cash equivalents.

COMMUNITY FOUNDATION OF WESTERN NEVADA,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 8 – ENDOWMENT FUNDS (Continued)

Investment Objectives as Related to the Spending Policy: The Foundation has a policy of appropriating at least 5% of its endowment funds value as of the end of the day December 31 of the preceding year for the planned distribution year. In establishing this policy, the Foundation considered the expected long-term rate of return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 1% net of inflation and all other investment expenses annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held for a specific term as well as provide additional real growth through new gifts and investment return.

NOTE 9 – RELATED PARTIES

For the year ending December 31, 2013, the Board of Directors and employees contributed \$2,589,222, 32% of total contributions received, to the Foundation. In addition, members of the Board of Directors and employees have established funds valued at December 31, 2013 in the amount of \$8,876,272, which represents 15% of the total fund balance.

NOTE 10 – RENTAL PROPERTY

During 2000, the Foundation received a contribution of a limited liability company, CFX, LLC. This contributed limited liability company has partial ownership in a leasehold. The leasehold consist of a building located on land leased from a third party. The building is then subleased to grocery stores. During 2006, the Foundation reported an additional \$84,085 in contributions to CFX, LLC.

The respective ownership interest in each of the properties has been consolidated into the books of the Foundation and has been included in property and equipment in the consolidated statement of financial position.

The rental buildings are located on land that is on ground leases expiring on December 1, 2021. The leases provide for renewal of five consecutively extended terms of five years each.

The minimum rental commitments under the ground leases are:

2014	\$	18,268
2015		18,268
2016		18,268
2017		18,268
2018		18,268
Thereafter		35,877
	\$	<u>127,217</u>

The rental income on the properties is received under two subleases in two separate entities.

Future minimum sublease income is due as follows as of December 31:

2014	\$	79,458
2015		79,458
2016		79,458
2017		79,458
2018		79,458
	\$	<u>397,290</u>

Rental income under subleases for the year ended December 2013 was \$89,582.

SUPPLEMENTARY INFORMATION

**COMMUNITY FOUNDATION OF WESTERN NEVADA,
INCORPORATED AND SUBSIDIARIES**
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	2013				2012
	Program Services and Grants	General and Administrative Expenses	Fundraising Expenses	Total	Total (Memorandum Only)
Grant expenses					
Grants voted	\$ 5,700,040	\$ -	\$ -	\$ 5,700,040	\$ 4,443,543
Grants individuals	514,842	-	-	514,842	267,990
Grants international	28,000	-	-	28,000	24,100
Total grant expenses	<u>6,242,882</u>	<u>-</u>	<u>-</u>	<u>6,242,882</u>	<u>4,735,633</u>
Other expenses					
Salaries	80,009	260,030	60,007	400,046	386,103
Pension plan	-	-	-	-	-
Employee benefits	7,963	25,878	5,972	39,813	39,182
Payroll taxes	6,618	21,508	4,963	33,089	32,380
Consulting services	-	19,579	-	19,579	19,357
Accounting services	-	34,477	-	34,477	25,677
Advertising	5,248	-	4,326	9,574	7,328
Legal	-	-	-	-	1,098
Office	5,902	19,181	4,427	29,510	31,064
Information technology	9,665	31,413	7,249	48,327	37,669
Occupancy	5,100	16,575	3,825	25,500	25,500
Travel	-	7,482	-	7,482	2,386
Conference fees	-	8,438	-	8,438	380
Interest	1,878	6,102	1,408	9,388	11,029
Depreciation	10,312	33,515	7,734	51,561	50,670
Insurance	2,454	7,975	1,840	12,269	5,632
Initiative expenses	2,418	-	-	2,418	-
Direct fund expenses for specific funds	190,307	-	-	190,307	233,552
All other expenses	26,568	32,678	-	59,246	55,912
Total other expenses	<u>354,442</u>	<u>524,831</u>	<u>101,751</u>	<u>981,024</u>	<u>964,919</u>
Total functional expenses	<u>\$ 6,597,324</u>	<u>\$ 524,831</u>	<u>\$ 101,751</u>	<u>\$ 7,223,906</u>	<u>\$ 5,700,552</u>

See accompanying notes