June 3, 2015

To the Audit Committee and Board of Directors of the Community Foundation of Western Nevada Incorporated and Subsidiaries 50 Washington Street, Ste 300 Reno, Nevada 89503

We have audited the consolidated financial statements of the Community Foundation of Western Nevada, Incorporated and Subsidiaries (Foundation) for the year ended December 31, 2014, and have issued our report thereon dated June 3, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 20, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 1 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies were not changed during 2014. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Issues concerning significant estimates made by management include:

- Management's identification of and process for making significant accounting estimates.
- · Risks of material misstatement.
- Indicators of possible management bias.
- Disclosure of estimation uncertainty in the financial statements.

The most significant estimates affecting your financial statements include:

- The market value of investments based upon quoted market costs, brokerage statements, or statements from investment managers and property appraisals.
- Estimated fair value of notes receivable and investments in LLC's.
- Depreciation expense based on the estimated useful lives of property and equipment.
- The functional allocation of expenses within and across programs.
- Value of the liability reflected for split-interest arrangements.
- · Allowance for doubtful accounts.

We reviewed the process and basis for management's judgments and estimates impacting key accounting and financial reporting areas and concluded they are reasonable.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are those relating to investments and endowments.

The financial statement disclosures are neutral, consistent, and clear.

Community Foundation of Western Nevada, Incorporated and Subsidiaries June 3, 2015

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We passed on recording an increase in the investments in the notes receivable and LLC ownerships in the approximate amount of \$235,000 based upon subsequent sales incurred and \$19,000 of an overstatement in investments based on a final investment statement that was received subsequent to year end. We proposed and management agreed to record an adjustment to the split interest agreement liability in the amount of \$214,155 that was misposted through unrealized gain on investments.

### Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 3, 2015.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the use of the Audit Committee, Board of Directors and management of the Community Foundation of Western Nevada, Incorporated and Subsidiaries and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

KOHN & COMPANY LLP

Beth Kohn-Cole, CPA, CGMA



### CONSOLIDATED FINANCIAL STATEMENTS

**DECEMBER 31, 2014** 

DECEMBER 31, 2014

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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 (a nonprofit organization) and Subsidiaries which comprise the consolidated statement of financial position as of December 31, 2014, 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, 2014, 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, 2013 consolidated financial statements of the Community Foundation of Western Nevada, Incorporated and Subsidiaries were audited by us and we expressed an unmodified opinion on those consolidated financial statements in our report dated August 21, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, 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 18 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.

Reno, Nevada
June 3, 2015



Consolidated Statement of Financial Position
December 31, 2014
(With Comparative Totals for December 31, 2013)

	_	2014	-	2013 (Memorandum Only)
Assets				
Cash and cash equivalents	\$	13,606,084	\$	8,236,667
Investments				
Current		44,741,051		46,580,310
Long-term		14,912,959		12,639,555
Other assets		17,893		25,176
Contributions receivable		117,719		1,286,316
Property and equipment, net		1,176,405		1,224,122
Investments held for split-interest agreements		1,640,451		1,710,399
Total Assets	\$	76,212,562	\$ _	71,702,545
Liabilities				
Accounts payable	\$	15,007	\$	46,410
Split interest agreements		1,640,451		1,710,399
Accrued payroll		20,540		20,663
Grants payable		6,880,595		5,492,885
Funds held for others		7,558,484		6,779,584
Total Liabilities	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	16,115,077	-	14,049,941
Net Assets				
Unrestricted				
Designated		3,795,230		3,356,011
Undesignated		28,692,634		25,417,333
Temporarily restricted		17,194,967		19,016,851
Permanently restricted		10,414,654		9,862,409
Total Net Assets		60,097,485	•	57,652,604
Total Liabilities and Net Assets	* <u> </u>	76,212,562	\$	71,702,545

Consolidated Statement of Activities
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	ı		2014			2013
			<del>.</del> ŀ	-		Total
			emporariiy	Permanently		(Memorandum
:	•	Unrestricted	Kestricted	Restricted	Total	Only)
Public support, revenue and transfers						
Contributions	↔	6,357,359 \$	2,907,510 \$	702,719 \$	9,967,588 \$	8,043,232
Rental income		89,582	ı	ı	89,582	89,582
Investment income, net		1,921,638	ı	,	1,921,638	6,170,868
Change in the value of split-interest agreements		(50,413)	1	ı	(50,413)	54,682
Miscellaneous income	•	449,883	1	1	449,883	572,416
Total public support and revenue		8,768,049	2,907,510	702,719	12,378,278	14,930,780
Net assets released from						
restrictions and reclassifications	•	4,879,868	(4,729,394)	(150,474)	ı	i
Total public support, revenue, and transfers		13,647,917	(1,821,884)	552,245	12,378,278	14,930,780
Expenses						
Program services and grants		9,242,064	•	•	9,242,064	6,597,324
General and administrative		530,697	1	•	530,697	524,831
Fundraising	'	160,636	1	-	160,636	101,751
Total expenses	'	9,933,397		t	9,933,397	7,223,906
CHANGE IN NET ASSETS		3,714,520	(1,821,884)	552,245	2,444,881	7,706,874
Net assets at beginning of year	ı	28,773,344	19,016,851	9,862,409	57,652,604	49,945,730
Net assets at end of year	↔ "	32,487,864 \$	17,194,967 \$	10,414,654 \$	60,097,485 \$	57,652,604

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	_	2014	2013 (Memorandum Only)
Cash flows from operating activities			
Cash received from contributions, rent and royalties	\$	5,848,498	\$ 3,370,817
Cash paid for gifts and grants		(7,355,387)	(8,337,872)
Cash received from investments		539,520	808,186
Cash received for fund administration		449,883	572,416
Cash paid for expenses		(1,161,823)	(931,546)
Received funds held for others, net		658,539	600,376
Net cash used by operating activities		(1,020,770)	(3,917,623)
Cash flows from investing activities			
Purchase of equipment		(5,003)	(21,432)
Payments for purchase of investments		(10,078,755)	(11,847,976)
Cash received from sale of investments		16,473,945	16,046,861
Net cash provided by investing activities		6,390,187	4,177,453
Net change in cash and cash equivalents		5,369,417	259,830
Cash and cash equivalents at beginning of year		8,236,667	7,976,837
Cash and cash equivalents at end of year	\$ _	13,606,084	\$ 8,236,667
Reconciliation of change in net assets to net cash			
flows used by operating activities			
Change in net assets	\$	2,444,881	\$ 7,706,874
Adjustments to reconcile change in net assets			
to net cash used by operating activities			
Depreciation		52,720	51,561
Non-cash contributions, net		(5,377,269)	(5,408,953)
Net realized and unrealized gain on investments Change in:		(1,382,118)	(5,362,682)
Other assets		7,283	(7,562)
Contributions and pledges receivable		1,168,597	646,956
Accounts and grants payable		1,356,307	(2,094,457)
Annuities payable and funds held for others		708,952	545,694
Accrued payroll		(123)	4,946
Net cash used by operating activities	\$	(1,020,770)	\$ (3,917,623)
Supplemental disclosure			
Non-cash investing activities			
Donation of real estate and stock held for investment	\$	1,299,999	\$ 5,238,548
Cash paid for interest		7,651	9,388
Investments received as payment of contributions receivable		_	910,292

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014

### 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 was created to receive varying fractional memberships of separate LLCs and notes receivables.

CFRSO, LLC also received varying fractional ownerships of 18 separate notes receivables. The assets or receivables 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

### 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 FDIC or SPIC Insurance. Although balances held in cash and cash equivalents at December 31, 2014 exceed the insurance limits by \$7,040,973, 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-publically 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 which may hold hedge funds for which quoted market prices are not available is determined by 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 are recorded as contributions receivable at their face value, which approximates the estimated realizable value in the year made. The contribution receivables are considered fully collectible by management; therefore, no allowance for doubtful accounts is included in the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

### 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. CFX, LLC, CFCP, LLC and CFRSO, LLC are all considered single member LLC's and are disregarded entities for tax purposes. They are included in the return of the Foundation. 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 2011 through the current period returns are still subject to examination as of December 31, 2014.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

### 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 funded by employee contributions with a matching contribution provided by the Foundation up to 6%. Costs incurred for the year ended December 31, 2014 were \$29,812.

### Subsequent Events

Subsequent events have been evaluated through June 3, 2015, 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 2013 issued financial statements have been reclassified to conform to the 2014 current year presentation.

### NOTE 2 -- INVESTMENTS

Total investments consist of the following at December 31:

	_	2014	 2013
Mutual funds	\$	33,075,745	\$ 35,855,701
Equity securities		9,476,843	11,134,544
Corporate bonds		2,911,508	-
Life insurance policy		65,419	62,498
Real estate		3,697,341	2,713,581
Non-publicly traded stock		10,295,000	8,855,000
Notes receivable		917,406	1,300,468
LLC ownerships		847,199	1,000,472
Violin		8,000	8,000
Mineral rights		-	-
	\$ _	61,294,461	\$ 60,930,264

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

### NOTE 2 - INVESTMENTS (Continued)

Investments are included in the statement of financial position as follows:

Investments		
Current	\$	44,741,051
Long-term		14,912,959
Investments held for		
split-interest agreements		1,640,451
	\$ _	61,294,461

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

	_	2014	2013
Interest and dividends	\$	760,178	\$ 1,036,850
Net realized and unrealized			
gains (losses)		1,382,118	5,362,682
Investment management fees		(220,658)	(228,664)
	\$ _	1,921,638	\$ 6,170,868

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 markets, 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, 2014:

	_	Level 1	_	Level 2		Level 3	 Total
Recurring							
Mutual funds	\$	30,107,219	\$	2,968,526	\$	-	\$ 33,075,745
Equity securities		9,476,843		-		-	9,476,843
Corporate bonds		2,911,508		-		-	2,911,508
Life insurance policy		-		65,419		-	 65,419
	••••	42,495,570		3,033,945		-	45,529,515
Nonrecurring							
Real estate		-		3,697,341		-	3,697,341
Non-publicly traded stock		-		-		10,295,000	10,295,000
Notes receivable		-		-		917,406	917,406
LLC ownerships		-		-		847,199	847,199
Violin		-		8,000		-	8,000
	_	_		3,705,341	_	12,059,605	 15,764,946
	\$	42,495,570	§ <u> </u>	6,739,286	\$	12,059,605	\$ 61,294,461

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

### NOTE 2 - INVESTMENTS (Continued)

Following is a summary of the changes in Level 3 investments for the year ended December 31, 2014:

Beginning balance	\$ 11,155,940
Contributions	-
Investment income	1,402,936
Sale of investments	(499,271)
Ending balance	\$ 12,059,605

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

	_	Level 1	Level 2	Level 3	Total
Recurring					
Mutual funds	\$	35,855,701 \$	- \$	- \$	35,855,701
Equity securities		11,134,544	-	-	11,134,544
Life insurance policy		-	62,498	•	62,498
		46,990,245	62,498		47,052,743
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
		-	2,721,581	11,155,940	13,877,521
	\$_	46,990,245 \$	2,784,079 \$	11,155,940 \$	60,930,264

### NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	_	2014	2013
Software	\$	28,934	\$ 23,932
Office equipment		28,617	31,508
Rental property		1,829,295	1,829,295
	_	1,886,846	1,884,735
Less accumulated depreciation		(710,441)	(660,613)
	\$ _	1,176,405	\$ 1,224,122

### 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 unitrusts 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 totaled \$10,000 for the year ended December 31, 2014.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

### NOTE 5 - GRANTS PAYABLE

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

_	2014		2013
\$	4,078,108	\$	2,781,826
	2,802,487		2,711,059
\$	6,880,595	\$	5,492,885
	\$ \$	\$ 4,078,108 2,802,487	\$ 4,078,108 \$ 2,802,487

### NOTE 6 - LEASE TRANSACTIONS

The Foundation leased office space in Reno, Nevada through December 2014 on a month to month basis. Subsequent to year end, the Foundation entered into a new agreement to lease office space in Reno, Nevada through January 2022 with a starting monthly amount of \$4,313 per month, increasing annually. In addition the Foundation leases a copier through April 1, 2015 for \$230 a month. Rent expense, included in occupancy and office expense in the accompanying financial statements for these leases total \$31,080 for the year ended December 31, 2014.

Minimum future rental payments under the non-cancelable operating lease for the remaining term of the current lease and subsequent lease is as follows:

\$ 52,446
53,050
54,376
55,736
57,129
117,114
\$ 389,851
*

### NOTE 7 - 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.

		2014		2013
Funds held for agencies, beginning of year	\$	6,779,584	\$ _	6,665,892
Additions				
Contributions		134,124		231,786
Investment returns		957,173		416,281
		1,091,297		648,067
Deductions				
Grant distributions		(241,486)		(474,492)
Investment expenses		(49,952)		(52,105)
Expenses to funds		(20,959)	_	(7,778)
		(312,397)		(534,375)
Change in balance		778,900		113,692
Funds held for agencies, end of year	\$ ]	7,558,484	\$ _	6,779,584

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

### NOTE 8 - RESTRICTED NET ASSETS

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

		2014	_	2013
Temporarily restricted	_			
Donor advised	\$	1,439,187	\$	1,790,466
Designated		13,155,370		14,525,963
Endowments		129,740		112,994
Scholarships		2,470,670		2,587,428
Total	\$ _	17,194,967	\$ _	19,016,851
Permanently restricted Donor advised Designated Endowments	\$	589,386 1,289,575 7,320,222	\$	735,471 792,012 7,322,386
Scholarships		1,320,222		1.012.540
Total	\$ _	10,414,654	\$ _	9,862,409

### NOTE 9 - ENDOWMENT FUNDS

The Board of Directors, on the advice of counsel, has adopted a spending plan that continues to follow the Prudent Management of Institutional Funds (Uniform Act) by enforcing the intent of the donor. The Foundation may appropriate for expenditures or accumulate funds as determined to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. 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 2014) 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 the 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 by the Board of Directors during the year ended December 31, 2014.

Change in endowment net assets for the year ended December 31, 2014 are as follows:

		Unrestricted	Temporarily	Permanently	Total
Endowment net assets,					
beginning of year	\$	1,109,881 \$	112,994 \$	7,322,386 \$	8,545,261
Contributions		41,551	-	-	41,551
Investment return		138,245	-	-	138,245
Expenses					
Grants		(419,189)	-	-	(419,189)
Administrative expenses		(63,055)	-	-	(63,055)
Transfer of spendable resourc	es	(14,582)	16,746	(2,164)	
Endowment net assets,					
end of year	\$	792,851 \$	129,740 \$	7,320,222 \$	8,242,813

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

### NOTE 9 - ENDOWMENT FUNDS (Continued)

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 of 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 balanced accounts by various asset classes including equity, real estate, fixed income instruments and cash equivalents.

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 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 10 - RELATED PARTIES

For the year ending December 31, 2014, the Board of Directors and employees contributed \$1,806,256, 16% of total contributions received, to the Foundation. In addition, members of the Board of Directors and employees maintain funds in the amount of \$9,077,008, which represents 16% of the total fund balance.

### NOTE 11 - RENTAL INCOME

During 2000, the Foundation received a contribution of a limited liability company, CFX, LLC. This contributed limited liability company has partial ownership of two separate leaseholds. The leaseholds consist of buildings located on land leased from a third party. The buildings are 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 parcels of land that are 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:

2015	\$ 18,268
2016	18,268
2017	18,268
2018	18,268
2019	18,268
Thereafter	35,014
	\$ 126,354

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

### NOTE 11 - RENTAL INCOME (Continued)

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:

	==	
	\$ _	549,585
Thereafter		152,295
2019		79,458
2018		79,458
2017		79,458
2016		79,458
2015	\$	79,458

Rental income under subleases for the year ended December 31, 2014 was \$89,582.

SUPPLEMENTARY INFORMATION

Consolidated Schedule of Functional Expenses
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

				20	14	4			2013
	٠	Program Services and Grants		General and Administrative Expenses		Fundraising Expenses		Total	Total (Memorandum Only)
Grant expenses									
Grants voted	\$	8,560,006	\$	- 9	\$	-	\$	8,560,006	\$ 5,700,040
Grants individuals		119,746		-		-		119,746	514,842
Grants international		63,345	_					63,345	28,000
Total grant expenses		8,743,097		-		-		8,743,097	6,242,882
Other expenses									
Salaries		95,903		287,708		95,903		479,514	400,046
Employee benefits		11,028		33,085		11,028		55,141	39,813
Payroll taxes		8,347		25,042		8,347		41,736	33,089
Consulting services		-		11,239		-		11,239	19,579
Accounting services		-		32 <u>,</u> 021		-		32,021	34,477
Advertising		4,302		-		11,901		16,203	9,574
Legal services		-		25		-		25	-
Office		5,222		15,669		5,222		26,113	29,510
Information technology		9,374		28,121		9,374		46,869	48,327
Occupancy		5,100		15,300		5,100		25,500	25,500
Travel		-		8,024		-		8,024	7,482
Conference fees		-		9,186		-		9,186	8,438
Interest		1,530		4,591		1,530		7,651	9,388
Depreciation		10,544		31,632		10,544		52,720	51,561
Insurance		1,687		5,062		1,687		8,436	12,269
Initiative expenses		31,601		-		-		31,601	2,418
Direct fund expenses for									
specific funds		282,066		-		-		282,066	190,307
All other expenses		32,263		23,992		-		56,255	 59,246
Total other expenses		498,967	_	530,697	_	160,636		1,190,300	981,024
Total functional expenses	\$	9,242,064	\$	530,697	\$ _	160,636	\$ =	9,933,397	\$ 7,223,906