Nevada Community Foundation, Inc. and Supporting Organizations

Consolidated Financial Report
June 30, 2015

Contents

Independent Auditor's Report

To the Board of Directors
Nevada Community Foundation, Inc. and Supporting Organizations
Las Vegas, Nevada

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Nevada Community Foundation, Inc. (a Nevada corporation) and Supporting Organizations (the Foundation) which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, the related consolidated statements of activities, functional expenses and cash flows for the years 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nevada Community Foundation, Inc. and Supporting Organizations as of June 30, 2015 and 2014, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Las Vegas, Nevada
December 7, 2015

Nevada Community Foundation, Inc. and Supporting Organizations

Consolidated Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash held by Greater Horizons	**$ 3,076,411**	$ 4,795,657
Cash and cash equivalents	**243,447**	242,190
Investments	**18,255,867**	18,355,228
Investments held by Greater Horizons	**108,633,567**	110,452,550
Prepaid income taxes	**501,925**	444,000
Other current assets	**202,841**	9,674
	130,914,058	134,299,299
Long-term assets:		
Split interest agreements (Notes 2 and 7)	**1,465,467**	1,432,033
Furniture and equipment, net of accumulated depreciation of $122,437 (2015) and $123,798 (2014)	**21,788**	30,931
Other assets	**229,358**	229,358
	1,716,613	1,692,322
Total assets	**$ 132,630,671**	$ 135,991,621
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 16,199**	$ 81,950
Grants payable, current portion (Note 6)	**788,268**	141,155
Accrued expenses	**52,799**	99,919
Agency obligations (Note 3)	**1,750,506**	3,218,199
Deferred tax liability (Note 8)	**6,112,562**	444,000
	8,720,334	3,985,223
Long-term liabilities:		
Grants payable, net of current portion and discount (Note 6)	**772,479**	59,812
Split interest liability	**38,049**	42,713
	810,528	102,525
Total liabilities	**9,530,862**	4,087,748
Commitments and contingencies (Notes 4 and 8)		
Net assets:		
Unrestricted		
Unrestricted, undesignated	**101,009,692**	109,096,894
Board designated	**741,934**	869,503
Temporarily restricted (Note 7)	**20,591,618**	21,183,911
Permanently restricted (Note 7)	**756,565**	753,565
Total net assets	**123,099,809**	131,903,873
	$ 132,630,671	$ 135,991,621

See notes to consolidated financial statements.

Nevada Community Foundation, Inc. and Supporting Organizations

Consolidated Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support:				
Contributions (Note 4)	$ 3,900,096	$ 306,437	$ 3,000	$ 4,209,533
Administrative fee revenue	36,367	-	-	36,367
Interest and dividends	5,989,488	465,666	-	6,455,154
Net realized/unrealized losses on investments	(1,808,011)	(400,187)	-	(2,208,198)
Net unrealized losses on privately held stock (Note 8)	(5,092,000)	-	-	(5,092,000)
Other income	86,121	-	-	86,121
Change in value of split interest agreement	-	38,098	-	38,098
Program services revenue	2,962	-	-	2,962
Net assets released from restrictions	1,002,307	(1,002,307)	-	-
Total revenue, gains and other support	4,117,330	(592,293)	3,000	3,528,037
Expenses:				
Program expenses (Note 4)	10,236,935	-	-	10,236,935
Administrative expenses:				
Development	238,643	-	-	238,643
Management and general	360,185	-	-	360,185
Income tax expense	1,496,338	-	-	1,496,338
Total expenses	12,332,101	-	-	12,332,101
Increase (decrease) in net assets	(8,214,771)	(592,293)	3,000	(8,804,064)
Net assets, beginning of year	109,966,397	21,183,911	753,565	131,903,873
Net assets, end of year	$ 101,751,626	$ 20,591,618	$ 756,565	$ 123,099,809

See notes to consolidated financial statements.

Nevada Community Foundation, Inc. and Supporting Organizations

Consolidated Statement of Activities
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Contributions (Note 4)	$ 97,580,045	$ 803,216	$ 500,000	$ 98,883,261
Administrative fee revenue	130,170	-	-	130,170
In-kind donations	1,000	-	-	1,000
Interest and dividends	1,472,143	452,119	-	1,924,262
Net realized/unrealized gains on investments	3,775,506	2,421,735	-	6,197,241
Other income	2,029	-	-	2,029
Change in value of split interest agreement	-	267,045	-	267,045
(Loss) from partnership	-	(8,888)	-	(8,888)
Program services revenue	16,545	-	-	16,545
Net assets released from restrictions	1,486,093	(1,486,093)	-	-
Total revenue, gains and other support	104,463,531	2,449,134	500,000	107,412,665
Expenses:				
Program expenses (Note 4)	2,826,044	-	-	2,826,044
Administrative expenses:				
Development	360,271	-	-	360,271
Management and general	384,482	-	-	384,482
Income tax expense	444,000	-	-	444,000
Total expenses	4,014,797	-	-	4,014,797
Increase in net assets	100,448,734	2,449,134	500,000	103,397,868
Net assets, beginning of year	9,517,663	18,734,777	253,565	28,506,005
Net assets, end of year	$ 109,966,397	$ 21,183,911	$ 753,565	$ 131,903,873

See notes to consolidated financial statements.

Nevada Community Foundation, Inc. and Supporting Organizations

Consolidated Statement of Functional Expenses
Year Ended June 30, 2015

		Supporting Services		
	Program Services	Development	Management and General	Total
Grants awarded (Note 6)	$ 8,560,299	$ -	$ -	$ 8,560,299
Salaries	132,676	118,674	141,499	392,849
Payroll taxes	8,177	7,315	8,723	24,215
Employee benefits (Note 5)	24,118	21,576	25,725	71,419
Total salaries and related expenses	164,971	147,565	175,947	488,483
Consulting service	160,995	24,126	40,320	225,441
Income tax expense	-	-	1,496,338	1,496,338
Investment management fees	1,070,004	-	-	1,070,004
Office	204,506	3,225	4,069	211,800
Media and public relations	-	14,504	-	14,504
Rent	19,678	14,845	25,048	59,571
Accounting and audit fees	-	-	49,833	49,833
Legal	2,487	8,576	29,451	40,514
Information technology	8,716	7,911	9,225	25,852
Depreciation and amortization	4,759	3,653	2,657	11,069
Insurance	3,449	3,085	3,679	10,213
Equipment rental and maintenance	3,069	2,231	3,998	9,298
Telephone	2,883	2,302	2,907	8,092
Community events	29,421	-	-	29,421
Vehicle expense	360	900	672	1,932
Postage	859	322	384	1,565
Conferences and education	479	479	5,280	6,238
Other expenses	-	-	4,046	4,046
Donor meetings - recognition	-	4,569	-	4,569
Memberships	-	350	100	450
Printing	-	-	387	387
Meetings and travel	-	-	2,055	2,055
Publications and subscriptions	-	-	127	127
	$ 10,236,935	$ 238,643	$ 1,856,523	$ 12,332,101

See notes to consolidated financial statements.

Nevada Community Foundation, Inc. and Supporting Organizations

Consolidated Statement of Functional Expenses
Year Ended June 30, 2014

		Supporting Services		
	Program Services	Development	Management and General	Total
Grants awarded (Note 6)	$ 1,687,014	$ -	$ -	$ 1,687,014
Salaries	134,010	133,209	140,818	408,037
Payroll taxes	7,057	7,017	7,416	21,490
Employee benefits (Note 5)	13,823	13,743	14,525	42,091
Total salaries and related expenses	154,890	153,969	162,759	471,618
Consulting service	347,817	78,315	79,446	505,578
Income tax expense	-	-	444,000	444,000
Investment management fees	333,976	-	-	333,976
Office	249,013	7,980	8,532	265,525
Media and public relations	-	83,138	-	83,138
Rent	17,708	12,879	23,075	53,662
Accounting and audit fees	-	-	50,833	50,833
Legal	4,268	-	27,927	32,195
Information technology	9,980	9,180	10,388	29,548
Depreciation and amortization	4,084	2,971	5,322	12,377
Insurance	3,028	3,010	3,181	9,219
Equipment rental and maintenance	2,398	1,744	3,124	7,266
Telephone	2,077	1,507	2,091	5,675
Community events	4,000	-	-	4,000
Community involvement	3,195	-	-	3,195
Vehicle expense	571	1,727	583	2,881
Postage	963	858	1,017	2,838
Conferences and education	733	734	734	2,201
Other expenses	-	-	1,692	1,692
Donor meetings - recognition	-	1,669	-	1,669
Memberships	329	590	430	1,349
Printing	-	-	1,148	1,148
Donated services and expenses	-	-	1,000	1,000
Meetings and travel	-	-	953	953
Publications and subscriptions	-	-	157	157
Interest expense	-	-	90	90
	$ 2,826,044	$ 360,271	$ 828,482	$ 4,014,797

See notes to consolidated financial statements.

Nevada Community Foundation, Inc. and Supporting Organizations

Consolidated Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014 Totals)
Cash flows from operating activities:		
Increase (decrease) in net assets	**$ (8,804,064)**	$ 103,397,868
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	**11,069**	12,377
Realized/unrealized losses (gains) on investments	**7,300,198**	(6,197,241)
Change in the split interest agreement	**(38,098)**	(267,045)
Contributions of securities	**(1,531,093)**	(92,507,189)
Loss on disposal of furniture and equipment	**2,402**	-
Deferred tax liability	**576,343**	444,000
Changes in operating assets and liabilities:		
Other assets	**(193,167)**	288
Prepaid income taxes	**(57,925)**	(444,000)
Accounts payable	**(65,751)**	57,723
Grants payable	**1,359,780**	(106,956)
Accrued expenses	**(47,120)**	52,022
Agency obligations	**(1,467,693)**	(420,791)
Other liabilities	**-**	(3,602)
Net cash provided by (used in) operating activities	**(2,955,119)**	4,017,454
Cash flows from investing activities:		
Purchases of investments	**(94,197,922)**	(30,056,904)
Proceeds from sale of investments	**95,439,380**	27,799,889
Purchases of property and equipment	**(4,328)**	-
Net cash provided by (used in) investing activities	**1,237,130**	(2,257,015)
Increase (decrease) in cash and cash equivalents	**(1,717,989)**	1,760,439
Cash and cash equivalents, beginning of year	**5,037,847**	3,277,408
Cash and cash equivalents, end of year	**$ 3,319,858**	$ 5,037,847
Supplemental disclosures of cash flow information:		
Cash payments for interest	**$ -**	$ 90
Cash payments for taxes on unrelated business income	**$ 809,140**	$ 444,000

See notes to consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

Nature of activities: Nevada Community Foundation, Inc. (the Foundation) is a not-for-profit corporation established on September 15, 1988. Its function is to receive and accept funds to be administered and disbursed through grants exclusively for charitable purposes primarily in Nevada or for the benefit of residents of Nevada. The Foundation's mission is to match donors' philanthropic interests with the myriad of needs of the community. The Foundation primarily receives its revenue from donors in the Southern Nevada region. Additionally, fees are charged to administer the various donor funds, which are presented net of related expenses.

Donors may choose among various types of funds, including:

Unrestricted funds: The donors do not restrict the use of their gifts which allows the Foundation's staff to direct funds where they are most needed.

Donor advised funds (DAFs)/community supported funds: The donors have ongoing involvement in the use of their gifts with the advice of the Foundation's staff.

Field of interest funds: The donor identifies target interest area and the Foundation awards grants to community organizations and programs that are making a difference in the area selected by the donor.

Scholarship funds: The donors determine the eligibility criteria students must meet, and the Foundation provides the expertise, guidance and personal service for your scholarship's administration.

Designated funds: Donors can direct gifts to a specific nonprofit organization or purpose that they are passionate about.

As discussed in Note 7, donations to certain of the above funds are included in temporarily restricted net assets.

The primary program expense of the Foundation consists of its direct financial support of other charities and charitable causes. Other substantial activities classified as program expenditures include the convening of charities to examine different community issues, the creation and publication of educational and resource materials, technical and organizational consulting assistance to charities and public education efforts designed to raise the level of charitable giving for the broad benefit of all not-for-profits in Nevada.

Principles of consolidation: The financial statements of the Foundation include the related supporting organizations established to support the Foundation, including the Ritter Charitable Trust and Schettler Family Foundation. The supporting organizations are established under section 509(a)(3) of the Internal Revenue Code. These supporting organizations are operated in connection with the Foundation and are commonly known as Type 1 supporting organizations. As such, these organizations are consolidated in accordance with generally accepting accounting principles, but they each hold a separate Internal Revenue Service (IRS) exempt determination letter and are required to be reported separately for federal compliance requirements. AM Land, LLC was an entity created in 2014 with the Foundation as its sole member. There was no activity in AM Land, LLC for the years ending June 30, 2015 or 2014. All intercompany transactions and balances have been eliminated in consolidation.

Note 1. Summary of Significant Accounting Policies (Continued)

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported and disclosed in the financial statements. Actual results could differ from those estimates. Certain expenses are allocated to functional expense categories based on estimates by management. Significant estimates include the fair value of contributed stock, investments and the net present value of grants payable.

Basis of presentation: The Foundation follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205, Presentation of Financial Statements for Not-for-Profit Entities. The codification requires financial statements to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by aggregating all funds into one set of financial statements and classifying transactions into three classes of net assets – unrestricted, temporarily restricted or permanently restricted as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets that are subject to donor-imposed stipulations that require passage of time or the occurrence of a specific event. When conditions of the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

Permanently restricted net assets: Net assets that are subject to donor-imposed restrictions that require the principal balance to be kept in perpetuity while permitting the Foundation to use or expend part or all of the income derived from the assets. These restrictions neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. Contributions received are measured at their fair values and are reported as an increase in net assets.

The Foundation has adopted ASC Subtopic 958-205, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds. The Foundation has interpreted the State of Nevada enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Note 1. Summary of Significant Accounting Policies (Continued)

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

- The duration and preservation of the fund
- The purposes of the foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the foundation
- The investment policies of the foundation

In May 2009, the Foundation entered into an agreement with Greater Kansas City Community Foundation/Greater Horizons (Greater Horizons) to provide accounting and related services. During the year ended June 30, 2011, the Foundation entered into an agreement with Greater Horizons to provide investment accounting services. At June 30, 2015 and 2014, cash totaling $3,076,411 and $4,795,657, respectively, was held by Greater Horizons in the name of the Foundation. This cash is not held by the Foundation but held by Greater Horizons on behalf of the Foundation.

Cash and cash equivalents: The Foundation maintains cash balances at different financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 in interest-bearing accounts. Cash balances maintained by the Foundation are less than the FDIC insurance limit as of June 30, 2015 and 2014.

Additionally, the Foundation maintains cash balances in money market accounts at investment institutions and cash balances held by Greater Horizons. These amounts may exceed FDIC insured limits. The Foundation has not experienced any losses in such accounts.

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments: Pursuant to FASB ASC Topic 958-320, Investments - Debt and Equity Securities for Not-for-Profit Organizations, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities. Foreign investments, investments in corporate, municipal government and government agency securities are stated at current market value determined by closing market prices or closing market bid quotations as referenced in published sources of current market quotations. Foreign investments are translated into United States dollars at year-end rates of exchange. Privately held stock is valued based on discounted cash flow models.

Note 1. Summary of Significant Accounting Policies (Continued)

Realized and unrealized gains and losses of investments are recorded in the accompanying consolidated statement of activities. The amounts the Foundation will ultimately realize could differ materially from recorded amounts, and significant fluctuations in fair values could occur from year to year. Purchases and sales of investments are recorded on a trade-date basis. The Foundation uses the specific identification method for investment sales. Changes in the value of foreign investments resulting from changes in the exchange rates are reported as part of the unrealized gains of the related investments.

Market volatility of equity-based investments is expected to substantially impact the value of such investments at any given time. Management evaluates the investment portfolio on an ongoing basis. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual funds based on the relationship of the market value of each fund to the total market value of the master investment accounts, as adjusted for additions or deductions from those accounts.

Furniture and equipment: The Foundation capitalizes all expenditures for furniture and equipment in excess of $500. Purchased furniture and equipment are stated at cost. Donated assets are stated at fair market value at the date of donation. Depreciation is computed using primarily the straight-line method over estimated useful lives ranging from three to ten years.

Donations of furniture and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Revenue recognition: Pursuant to FASB ASC Topic 958-605, Revenue Recognition for Not-for-Profit Entities, all contributions are measured at their fair values and recognized as revenue in the statement of activities in the period received, including bequests and unconditional promises to give, at their estimated net realizable value. Bequests are recognized at the time the Foundation’s right to them is established by a court and to the extent the value of the proceeds is subject to reasonable estimation.

The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets whether or not the restrictions are met in the same reporting period. Investment income earned on the temporarily restricted support is also presented as temporarily restricted support.

Administrative fee revenue: The Foundation charges an administrative fee for managing the funds at the Foundation. Some funds are charged a monthly fee based on the market value of the fund. Some funds are charged a negotiated quarterly fee. The revenue from the fees is credited to the Foundation's operating fund when earned.

Donated services: Donated services are recognized as contributions in accordance with FASB ASC 958, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Foundation. For the years ended June 30, 2015 and 2014, donated services were zero and $1,000, respectively.

Donated assets: Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Income tax status: The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A). The related supporting organizations are exempt from federal income tax under Section 509(a)(3) of the Internal Revenue Code. The State of Nevada has no corporate income tax. Accordingly, no provision for federal or state income taxes has been included in the accompanying financial statements. Income which is not related to its exempt purposes, less applicable deductions, is subject to federal corporate income taxes.

The Foundation follows the accounting standards on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods.

Management evaluated the Foundation’s tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2012.

Fair value of financial instruments: The Foundation follows FASB ASC Topic 820-10, Fair Value Measurements, which provides a framework for measuring fair value under generally accepted accounting principles. ASC Topic 820-10 applies to all financial instruments that are being measured and reported on a fair value basis. The Foundation measures and reports its investments on a fair value basis.

As defined in ASC Topic 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Note 1. Summary of Significant Accounting Policies (Continued)

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 — Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

- Level 2 — Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

- Level 3 — Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain unobservable assumptions and projections in determining the fair value assigned to such assets or liabilities.

Investments in marketable securities and investments under management are based on quoted market prices and are categorized as Level 1 of the fair value hierarchy.

Investments in government and agency securities are based on quoted market prices as well as activity for identical or similar assets or liabilities when there is no active market. Government and agency securities which are valued based on quoted market prices are categorized as Level 1 of the fair value hierarchy. Government and agency securities which are valued based on activity for identical or similar assets or liabilities are categorized as Level 2 of the fair value hierarchy.

Limited partnerships are investments in limited partnerships that invest primarily in other limited partnerships for the purpose of making investments in international private equity investments, equity securities, warrants or other options that are generally not actively traded at the time of investment. Generally, the partnership may not transfer or withdraw its investments in limited partnerships prior to their termination. Since the investments are valued using unobservable inputs and do not permit redemption at the measurement date, such investments are classified as Level 3 of the fair value hierarchy.

Note 1. Summary of Significant Accounting Policies (Continued)

For the fiscal years ended June 30, 2015 and 2014, the application of valuation techniques applied to similar assets and liabilities has been consistent. Investments measured at fair value on a recurring basis at June 30, 2015 are summarized as follows:

Description	Level 1	Level 2	Level 3	Total
Corporate bonds:				
Basic materials	$ 10,440	$ -	$ -	$ 10,440
Consumer goods	7,069	-	-	7,069
Financial	51,402	-	-	51,402
Health care	10,306	-	-	10,306
Industrial goods	23,980	-	-	23,980
Services	15,086	-	-	15,086
Technology	13,022	-	-	13,022
	131,305	-	-	131,305
Marketable securities:				
Basic materials	843,597	-	-	843,597
Consumer goods	185,067	-	-	185,067
Financial	390,621	-	-	390,621
Health care	297,109	-	-	297,109
Industrial goods	127,166	-	-	127,166
Services	374,489	-	-	374,489
Technology	642,413	-	-	642,413
Utilities	31,824	-	-	31,824
Foreign	411,151	-	-	411,151
	3,303,437	-	-	3,303,437
Domestic mutual funds	42,075,810	-	-	42,075,810
Foreign mutual funds	20,602,696	-	-	20,602,696
Alternative investment mutual funds	1,745,852	-	-	1,745,852
Domestic fixed income	33,327,677	-	-	33,327,677
Foreign fixed income	1,840,963	-	-	1,840,963
	99,592,998	-	-	99,592,998
Government and agency securities:				
U.S. Treasury notes	48,199	-	-	48,199
Government sponsored agencies	6,056	-	-	6,056
	54,255	-	-	54,255
Cash surrender value of life insurance policies	-	1,099,974	-	1,099,974
Limited partnerships	-	-	371,491	371,491
Stock privately held	-	-	17,080,000	17,080,000
Certificates of deposit	5,058	-	-	5,058
Split interest agreements held by third parties	-	-	1,465,467	1,465,467
	5,058	1,099,974	18,916,958	20,021,990
Cash held for investment, at cost	5,250,916	-	-	5,250,916
Total	$ 108,337,969	$ 1,099,974	$ 18,916,958	$ 128,354,901

Note 1. Summary of Significant Accounting Policies (Continued)

Investments measured at fair value on a recurring basis at June 30, 2014 are summarized as follows:

Description	Level 1	Level 2	Level 3	Total
Corporate bonds:				
Basic materials	$ 13,211	$ -	$ -	$ 13,211
Consumer goods	23,213	-	-	23,213
Financial	44,784	-	-	44,784
Health care	5,403	-	-	5,403
Industrial goods	21,200	-	-	21,200
Services	7,185	-	-	7,185
Technology	19,197	-	-	19,197
	134,193	-	-	134,193
Marketable securities:				
Basic materials	466,125	-	-	466,125
Consumer goods	190,922	-	-	190,922
Financial	403,901	-	-	403,901
Health care	122,533	-	-	122,533
Industrial goods	218,682	-	-	218,682
Services	278,704	-	-	278,704
Technology	391,671	-	-	391,671
Utilities	45,581	-	-	45,581
Foreign	111,665	-	-	111,665
	2,229,784	-	-	2,229,784
Domestic mutual funds	53,384,877	-	-	53,384,877
Foreign mutual funds	23,298,035	-	-	23,298,035
Domestic fixed income	21,367,444	-	-	21,367,444
Foreign fixed income	4,367,965	-	-	4,367,965
	102,418,321	-	-	102,418,321
Government and agency securities:				
U.S. Treasury notes	45,258	-	-	45,258
Government sponsored agencies	9,160	-	-	9,160
Municipal bonds	1,286,261	-	-	1,286,261
	1,340,679	-	-	1,340,679
Cash surrender value of life insurance policies	-	1,197,400	-	1,197,400
Limited partnerships	-	-	396,017	396,017
Preferred stock	25,938	-	-	25,938
Stock privately held	-	-	17,080,000	17,080,000
Certificates of deposit	681,072	-	-	681,072
Split interest agreements held by				-
third parties	-	-	1,432,033	1,432,033
	707,010	1,197,400	18,908,050	20,812,460
Cash held for investment, at cost	3,304,374	-	-	3,304,374
Total	$ 110,134,361	$ 1,197,400	$ 18,908,050	$ 130,239,811

Note 1. Summary of Significant Accounting Policies (Continued)

Financial instruments classified as Level 3 in the fair value hierarchy represent the Foundation's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments for the years ended June 30:

	Stock Privately Held	Limited Partnerships	Split Interest Agreements Held by Third Parties	Total
Balance, June 30, 2013	$ 1,675	$ 355,695	$ 1,132,442	$ 1,489,812
Contributions	17,080,000	-	-	17,080,000
Net changes in unrealized gains (losses) on investments	(1,675)	40,322	299,591	338,238
Balance, June 30, 2014	17,080,000	396,017	1,432,033	18,908,050
Net changes in unrealized gains (losses) on investments	-	(24,526)	33,434	8,908
Balance, June 30, 2015	$ 17,080,000	$ 371,491	$ 1,465,467	$ 18,916,958

Pending accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued guidance within Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in ASU 2014-09 affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets. This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance, and creates a Topic 606 *Revenue from Contracts with Customers*. This new standard will be effective for the Foundation's annual reporting beginning after December 15, 2018. A nonpublic entity may elect to apply the guidance in this ASU early with certain restrictions. Management has not yet determined the effect of the adoption of this guidance on the Foundation's financial statements.

In May 2015, the FASB issued ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).* The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. This new standard will be effective for the Foundation's annual reporting beginning after December 15, 2016. Management has not yet determined the effect of the adoption of this guidance on the Foundation's financial statements.

Subsequent events: The Foundation has evaluated subsequent events through December 7, 2015, the date on which the consolidated financial statements were available to be issued and determined there were no additional events requiring recognition or disclosure.

Note 2. Split-Interest Agreements

In December 1991, the Foundation became the trustee of a donor established charitable remainder unitrust, naming the Foundation as the remainder beneficiary. Under the terms of the charitable unitrust agreement, the noncharitable lead beneficiary is to receive annual payments calculated at 5 percent of the investment's value at December 31st each year until the lead beneficiary's death. Until the death of the lead beneficiary, the Foundations' assets related to this contribution are restricted for the use of making payment to the lead beneficiary under the terms of the agreement. The related assets are valued at fair market value based on stated market values. The associated liability is valued using the techniques outlined in Publication 1458 of the IRS. The initial gross contribution was recorded as a temporarily restricted contribution for which corresponding assets and a liability was recorded. The asset value of the agreement held as investments was $62,896 and $68,989 at June 30, 2015 and 2014, respectively. The change in the asset value of the split interest agreement was a loss of $6,093 and a gain of $11,309 for the years ended June 30, 2015 and 2014, respectively. The liability value related to the agreement was $38,049 and $42,713, for the years ended June 30, 2015 and 2014, respectively. The changes in the liability value of the split interest agreement was due to the distribution to the beneficiary in the amount of $12,448 and $3,138, and the recalculation of the present value that resulted in an increase of $7,784 and $35,684 for the years ended June 30, 2015 and 2014, respectively.

During 2005, the Foundation was informed that a donor established a charitable unitrust with a national bank with the trustee naming the Foundation as the remainder beneficiary. Under the terms of the charitable unitrust agreement, the noncharitable lead beneficiary is to receive annual payments calculated at 10 percent of the investment's value at December 31st each year until the lead beneficiary's death. At the time of the noncharitable lead beneficiary's death, the trust is to terminate and the remaining trust assets are to be distributed to the Foundation. Based on the noncharitable lead beneficiary's life expectancy, the fair market value of the assets evaluated at December 31st of each year. At June 30, 2015 and 2014, a payout rate of 9.88 percent and 9.85 percent, respectively with a remainder factor of 0.35126 and 0.35126, respectively, was used to estimate the present value of future benefits expected to be received by the Foundation valued at $101,230 and $109,757, respectively. The initial gross contribution was recorded as a temporarily restricted contribution and a split interest agreement receivable. The change in the value of the split interest agreement was a loss of $8,527 and a gain $6,061 for the years ended June 30, 2015 and 2014, respectively.

In December 2009, the Foundation was informed that a donor established a charitable remainder annuity trust with a national bank with the trustee naming the Foundation as the remainder beneficiary. Under the terms of the charitable remainder annuity trust, the two noncharitable lead beneficiaries are to receive total quarterly payments of 7 percent of the initial fair market value of the trust until the earlier of the death of both beneficiaries, or ten years after the death of the donor, which occurred in February 2009. For the years ended June 30, 2015 and 2014, a payout rate of 8.33 percent and 8.33 percent, respectively, and life factor of 2.8839 and 3.7711, respectively, were used to estimate the present value of future benefits expected to be received by the Foundation valued at $1,178,921 and $1,137,532, respectively. The initial gross contribution was recorded as a temporarily restricted contribution and a split interest agreement receivable. The change in the value of the split interest agreement was a gain of $41,389 and $257,755 for the years ended June 30, 2015 and 2014, respectively.

Note 2. Split-Interest Agreements (Continued)

In February 2012, the Foundation was informed that a donor established a charitable unitrust with a national bank with the trustee naming the Foundation as one of the remainder beneficiaries. Under the terms of the charitable unitrust agreement, the noncharitable lead beneficiaries are to receive annual payments calculated at 5 percent of the investment's value at December 31st each year until the lead beneficiaries' deaths. At the time of the noncharitable lead beneficiaries' deaths, the trust is to terminate, $100,000 will be distributed to another organization and the remaining assets will be distributed among five organizations with the Foundation being one of them. Based on the noncharitable lead beneficiaries' life expectancy, the fair market value of the assets is evaluated at December 31st of each year. At June 30, 2015 and 2014, a payout rate of 9.88 percent and 9.85 percent, respectively, with a remainder factor of 0.22711 and 0.23005, respectively, was used to estimate the present value of future benefits expected to be received, with the Foundation's share valued at $122,420 and $115,755, respectively. The change in the value of the split interest agreement was a gain of $6,665 and $24,466 for the years ended June 30, 2015 and 2014, respectively.

The fair value of the assets and liabilities are categorized as Level 3 assets.

The Foundation's split interest agreement assets and liabilities are valued on a recurring basis at fair value as of June 30 as follows:

	2015	
	Level 3 Assets	Level 3 Liabilities
Split interest agreements held by third parties:		
January 2005 agreement	$ 101,230	$ -
December 2009 agreement	1,178,921	-
February 2012 agreement	122,420	-
	1,402,571	-
Assets and liabilities held by the Foundation:		
December 1991 agreement	62,896	38,049
	$ 1,465,467	$ 38,049

Note 2. Split-Interest Agreements (Continued)

	2014	
	Level 3 Assets	Level 3 Liabilities
Split interest agreements held by third parties:		
January 2005 agreement	$ 109,757	$ -
December 2009 agreement	1,137,532	-
February 2012 agreement	115,755	-
	1,363,044	-
Assets and liabilities held by the Foundation:		
December 1991 agreement	68,989	42,713
	$ 1,432,033	$ 42,713

Note 3. Agency Obligations

Agency obligations are funds held by the Foundation and can only be used for the following organizations. The donors control the use of distribution of these funds. The agencies' assets held in trust and corresponding obligations consist of the following at June 30:

	2015	2014
Vegas PBS Endowment Funds	$ 1,284,551	$ 1,252,635
Nevada Policy Research Fund	119,510	122,169
Gillis Foundation Fund	118,105	115,299
Keyser Education Endowment Fund	64,314	65,730
Nevada Blind Children Foundation Fund	54,915	56,136
Communities in Schools Fund	36,567	36,690
Red Mountain Music Fund	30,525	31,203
Nevada Wilderness Fund	29,869	30,534
Variety Day Home Fund	11,835	12,229
Helping Hands Surgical Care Fund	315	-
Moe Dalitz/United Way Human Service Fund	-	1,495,574
	$ 1,750,506	$ 3,218,199

Note 4. Commitments and Contingencies

Operating leases: In February 2009, the Foundation entered into a lease for office facilities under an operating lease expiring in January 2016. The monthly lease amounts during the years ended June 30, 2015 and 2014 range from $5,098 to $5,514 for a total future minimum obligation of $37,960 during the year ended June 30, 2016. Rental expenses for the office facilities for the years ended June 30, 2015 and 2014 totaled approximately $63,000 and $54,000, respectively.

Concentrations: Of the total contributions received during the year ended June 30, 2015, the Foundation received significant donations from two donors totaling $2,277,463, representing 54 percent of contributions and 27 percent of total revenue.

Note 4. Commitments and Contingencies (Continued)

Of the total contributions received during the year ended June 30, 2014, the Foundation received significant donations from three donors totaling $95,677,686, representing 97 percent of contributions and 89 percent of total revenue.

Of the total grants paid out during the years ended June 30, 2015 and 2014 to various organizations, the Foundation donated significant amounts over the course of the year to four organizations totaling $4,082,000 and $742,908 representing 48 percent and 44 percent of grants awarded and 35 percent and 19 percent of total expenses, respectively.

Note 5. Employee Benefit Plan

The Foundation has a simplified Individual Retirement Account (Simple-IRA) plan covering all employees who have worked for the Foundation for one year and have earned at least $5,000 in compensation during the year. The Foundation makes matching contributions to the plan each year up to 3 percent of all participants' compensation. The total contributions and expenses associated with the plan for the years ended June 30, 2015 and 2014 were $10,938 and $8,655, respectively, which is included in employee benefits on the consolidated statements of functional expenses.

The Executive Committee approved a Section 457 deferred compensation plan on July 28, 2014, effective July 1, 2014. There is only one participant in the deferred compensation plan. The Foundation will determine its contribution, if any, for the plan year and the participant may contribute salary reduction in excess of such board contribution up to the maximum allowed by law. The total contributions to the plan for the year ended June 30, 2015 were $17,500, which is included in employee benefits on the consolidated statement of functional expenses.

Note 6. Grants Payable

The main purpose of the Foundation is to receive and accept funds to be administered and disbursed through grants exclusively for charitable purposes primarily in Nevada or for the benefit of residents of Nevada. Grants payable to be paid after one year are discounted based on the year promised at rates ranging from 0.20 percent to 0.68 percent. Pledges payable are summarized as follows at June 30:

	2015	2014
Due within one year	$ 788,268	$ 141,155
Due one year to five years	779,903	60,000
	1,568,171	201,155
Current	788,268	141,155
Long-term	779,903	60,000
Less discounts to present value	(7,424)	(188)
Long-term, net of current portion and discount	$ 772,479	$ 59,812

The Foundation pledges scholarship funds to individuals throughout the year. The scholarships are conditional based on the individual attending school for the pledged semester. As these pledges are conditional, these pledges are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional.

Note 7. Net Assets

At June 30, 2015 and 2014, the board has designated approximately $712,000 and $788,000, respectively, for the benefit of former boxers for financial and medical hardship including funds for housing, basic living expenses and payment of medical costs not covered by insurance. At June 30, 2015 and 2014, the board has also designated approximately $30,000 and $81,000, respectively, to fund the Accelerate Nevada Federal Competitiveness Initiative project.

Temporarily restricted net assets are available for the following programs/activities as of June 30:

	2015	2014
Specified charities	$ 10,856,748	$ 11,017,510
Educational issues	3,807,110	3,978,371
Animal issues	3,001,424	3,129,754
Scholarships	1,260,600	1,240,899
Emergency relief	764,761	802,487
Time restricted funds	407,277	435,535
Children and youth issues	257,873	237,121
Community support	135,961	139,825
Senior citizen issues	99,864	104,322
Medical issues	-	71,363
Veteran affairs	-	26,724
	$ 20,591,618	$ 21,183,911

Temporarily restricted net assets released from restriction were approximately $1,002,000 for the year ended June 30, 2015 and related primarily to specified charities, educational issues and emergency relief. Temporarily restricted net assets released from restriction were approximately $1,486,000 for the year ended June 30, 2014 and related primarily to specified charities, veteran affairs, emergency relief and educational issues.

Restricted assets, consisting of the following, are presented as temporarily restricted net assets as of June 30:

	2015	2014
Cash	$ 606,755	$ 642,940
Investments	18,557,444	19,151,651
Net assets related to split interest agreement	1,427,419	1,389,320
	$ 20,591,618	$ 21,183,911

The Foundation’s permanently restricted net assets include donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments (collectively referred to as the endowment fund), are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 7. Net Assets (Continued)

For the years ended June 30, the Foundation's endowment funds had the following activity:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ -	$ 19,706	$ 753,565	$ 773,271
Contributions received	-	-	3,000	3,000
Interest and dividends, net of investment expense	-	18,296	-	18,296
Amount appropriated for expenditure	-	(14,573)	-	(14,573)
Unrealized gain on investments	-	(16,109)	-	(16,109)
Changes in net assets	-	(12,386)	3,000	(9,386)
Net assets, end of year	$ -	$ 7,320	$ 756,565	$ 763,885

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ -	$ 4,727	$ 253,565	$ 258,292
Contributions received	-	-	500,000	500,000
Interest and dividends, net of investment expense	-	15,532	-	15,532
Amount appropriated for expenditure	-	(22,963)	-	(22,963)
Unrealized gain on investments	-	22,410	-	22,410
Changes in net assets	-	14,979	500,000	514,979
Net assets, end of year	$ -	$ 19,706	$ 753,565	$ 773,271

Permanently restricted net assets are available as follows as of June 30:

	2015	2014
Medical research	$ 500,000	$ 500,000
Children and youth issues	256,565	253,565
	$ 756,565	$ 753,565

Note 7. Net Assets (Continued)

Restricted assets, consisting of the following, are presented as permanently restricted net assets as of June 30:

	2015	2014
Cash	$ 3,344	$ 3,032
Investments	753,221	750,533
	$ 756,565	$ 753,565

As discussed in Note 3, the assets restricted under agency agreements at June 30, 2015 and 2014 are held in cash and investments.

Note 8. Income Taxes and Change in Estimate

In December 2013, the Foundation received a contribution of privately held stock. During 2015 and 2014, the Foundation received distributions related to the privately held stock, which is considered unrelated business income. As such, the Foundation recorded income tax expense of approximately $1,496,000 and $444,000 during the years ended June 30, 2015 and 2014, respectively, related to the estimated tax due from this transaction.

In addition, the Foundation is subject to unrelated business income tax on the difference between the tax basis and fair market value of the privately held stock. During the year ended June 2015, the Foundation changed its estimate of the tax basis of the privately held stock at the contribution date. This change in estimate resulted in an increase in the estimated deferred tax liability of approximately $5,092,000, which is included in unrealized losses on the accompanying statement of activities for the year ended June 30, 2015. In addition, the Foundation annually adjusts the estimated tax basis of the privately held stock for its share of the annual income and distributions, which resulted in an additional deferred tax liability of approximately $577,000 during the year ended June 30, 2015.

Under the terms of the agreement with the donor, the company in which the Foundation owns the privately held stock will distribute to the Foundation an amount equal to the amount of tax due and payable by the Foundation under section 511(a)(1) of the Internal Revenue Code by reason of the Foundation's ownership in the shares. As a conditional promise to give, the contributions will be recorded when the conditions are met.