Consolidated Financial Statements

COMMUNITIES FOUNDATION OF TEXAS

June 30, 2014

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

COMMUNITIES FOUNDATION OF TEXAS

June 30, 2014

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report

The Board of Trustees
Communities Foundation of Texas
Dallas, Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Communities Foundation of Texas (the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 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 consolidated 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities Foundation of Texas as of June 30, 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.

Report on Summarized Comparative Information

We have previously audited Communities Foundation of Texas' 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 1, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 23, 2014

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

COMMUNITIES FOUNDATION OF TEXAS

June 30, 2014 (with comparative totals for June 30, 2013)

	2014	2013
ASSETS	*(In thousands)*	
Cash and cash equivalents	$ 138,566	$ 143,781
Investments *(Note B)*	816,498	697,570
Interest, dividends and other receivables	1,972	3,071
Contributions receivable *(Note J)*	3,814	61,981
Beneficial interest in charitable remainder trusts *(Note E)*	5,735	5,116
Real estate held for investment	71,778	45,380
Limited partnership interests	11,653	7,912
Cash surrender value of life insurance policies	205	367
Headquarters and equipment, net *(Note C)*	15,939	16,547
Other assets	615	606
TOTAL ASSETS	$ 1,066,775	$ 982,331
LIABILITIES AND NET ASSETS		
Accrued liabilities and other payables	$ 1,837	$ 2,895
Grants payable *(Note D)*	29,029	39,825
Funds held for others	34,216	31,417
Deferred revenue *(Note E)*	407	481
Liabilities associated with split-interest agreements *(Note E)*	4,140	3,804
TOTAL LIABILITIES	69,629	78,422
NET ASSETS *(Note F)*		
Unrestricted	813,962	739,177
Unrestricted, board-designated endowments	24,606	22,305
Total Unrestricted	838,568	761,482
Temporarily restricted	153,922	136,846
Permanently restricted	4,656	5,581
TOTAL NET ASSETS	997,146	903,909
TOTAL LIABILITIES AND NET ASSETS	$ 1,066,775	$ 982,331

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

COMMUNITIES FOUNDATION OF TEXAS

Year Ended June 30, 2014 (with comparative totals for June 30, 2013)

	2014				2013
	(In thousands)				*(In thousands)*
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES AND GAINS					
Contributions	$ 61,333	$ 5,505	$ 25	$ 66,863	$ 120,500
Investment income, net *(Note B)*	10,984	1,279	-	12,263	11,396
Net realized gain on sales of investments	46,868	7,558	-	54,426	25,233
Net unrealized gain on investments	33,624	10,437	-	44,061	44,421
Gain on sale of real estate held for investment	1,439	-	-	1,439	2,044
Change in value of split interest agreements *(Note E)*	(80)	950	-	870	758
Other income	7,985	(173)	-	7,812	10,342
Reclassifications - donor directed	1,155	(205)	(950)	-	-
Net assets released from restrictions	8,275	(8,275)	-	-	-
TOTAL REVENUES AND GAINS	171,583	17,076	(925)	187,734	214,694
GRANTS AND EXPENSES					
Programs:					
Grants	75,894	-	-	75,894	82,727
Other	6,263	-	-	6,263	6,753
Supporting activities:					
Administrative expenses:					
Communities Foundation of Texas	7,499	-	-	7,499	6,935
Supporting Foundations	3,156	-	-	3,156	3,667
Development	1,685	-	-	1,685	1,821
TOTAL GRANTS AND EXPENSES	94,497	-	-	94,497	101,903
CHANGE IN NET ASSETS	77,086	17,076	(925)	93,237	112,791
NET ASSETS, BEGINNING OF YEAR	761,482	136,846	5,581	903,909	791,118
NET ASSETS, END OF YEAR	$ 838,568	$ 153,922	$ 4,656	$997,146	$ 903,909

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

COMMUNITIES FOUNDATION OF TEXAS

Year Ended June 30, 2014 (with comparative totals for June 30, 2013)

	2014	2013
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 93,237	$ 112,791
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,138	2,129
Net unrealized gain on investments	(44,061)	(44,421)
Net realized gain on sales of investments	(54,426)	(25,233)
Change in value of split interest agreements	(870)	(758)
Gain on sale of real estate held for investment	(1,439)	(2,044)
Change in discount	14	16
Contributions restricted for long-term investment	(25)	(50)
Noncash grants	-	550
Noncash contributions	(13,200)	(9,279)
Proceeds from sales of noncash contributions	7,976	9,279
Changes in operating assets and liabilities:		
Contributions, interest, dividends and other receivables	21,329	(42,323)
Cash surrender value of life insurance policies	162	(21)
Other assets	(9)	(7)
Accounts payable and accrued liabilities	(1,058)	(74)
Grants payable	(10,724)	15,731
Liabilities associated with funds held for others	2,799	939
Deferred revenue	(74)	(43)
Liabilities associated with split-interest agreements	587	255
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,356	17,437
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(358,576)	(227,314)
Proceeds from the sales of investments	345,571	232,240
Purchases of real estate held for investment	-	(206)
Proceeds from sales of real estate held for investment	5,530	10,572
Headquarters and equipment purchases	(198)	(119)
Proceeds from sales of limited partnerships	77	11
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(7,596)	15,184
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	25	50
NET CASH PROVIDED BY FINANCING ACTIVITIES	25	50
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,215)	32,671
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	143,781	111,110
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 138,566	$ 143,781
SUPPLEMENTAL DATA:		
Noncash investing and financing activities:		
Contributions of investments	$ 9,382	$ 9,279
Contributions of limited partnership interests	$ 3,818	$ -
Collection of contributions receivable through receipt of investments and real estate held for investment	$ 37,851	$ -

See notes to consolidated financial statements.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Purpose and Activities: Communities Foundation of Texas (the "Community Foundation") is a nonprofit Texas corporation with no capital stock and is classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a nonprivate foundation under Section 509(a)(1) of the Internal Revenue Code of 1986. The Community Foundation administers more than 900 funds comprised of donor advised, non-donor advised, trusts and endowment funds established with an instrument of gift. The Community Foundation is committed to promoting the well-being of mankind and to serving the general charitable, educational, and scientific needs primarily for inhabitants of Texas and adjoining states through charitable grants at the discretion of the Board of Trustees.

In addition, the Community Foundation administers the Educate Texas program, a significant program which provides grants and support to Texas schools.

Reporting Entity: The consolidated financial statements include the Community Foundation and the "Supporting Foundations" which include W.W. Caruth, Jr. Foundation, The Nancy Ann and Ray L. Hunt Foundation, The Ruth Foundation, and The Robert and Nancy Dedman Foundation. The Supporting Foundations are consolidated with the Community Foundation in the accompanying financial statements because the Community Foundation has an economic interest in the organizations and controls the affiliated organizations' boards of directors and/or by virtue of common trustees. Also, included in the consolidated financial statements is CFTR 11. The primary purpose of CFTR 11 is to hold and manage real estate properties and the Community Foundation owns 100% of its outstanding stock. The Community Foundation, the Supporting Foundations, and CFTR 11 are collectively referred to as the "Foundation" throughout these financial statements. All significant inter-organization transactions have been eliminated.

Basis of Presentation: The Foundation's financial statements have been prepared on the accrual basis of accounting and to ensure the observance of limitations and restrictions placed on the use of available resources, the Foundation maintains its accounts in accordance with the principles and practices of fund accounting. The accompanying consolidated financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

Estimates: The preparation of consolidated financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual results could differ significantly from those estimates.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Significant Estimates: Estimates that are particularly susceptible to significant change include the fair value of investments, beneficial interest in charitable remainder trusts, non-cash contributions, contributions receivable and related allowance for doubtful accounts, and the calculation of the accumulated benefit obligation for the defined benefit plan. Due to the level of risk associated with these financial instruments, it is reasonably possible that changes in the values of the investments and beneficial interest will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Foundation will ultimately realize could differ materially. Management's estimate of contributions receivable and the related allowance for uncollectible amounts is based on consideration of all relevant available information and an analysis of the collectability of individual contributions at the financial statement date. Management's estimate of the accumulated benefit obligation is based on actuarial estimates prepared by an independent consulting actuary and the liability recorded in the consolidated financial statements is the difference between the obligation and the fair value of the plan assets.

Net Asset Classification: As a community foundation, in accordance with United States Treasury Regulations, the Foundation possesses variance power. Variance power is the unilateral right to remove donor-imposed restrictions upon a gift in response to changed circumstances. The Foundation interprets this variance power to apply to endowment restrictions as well as purpose restrictions. This power is exercisable only in narrowly defined circumstances. Since this variance power is incorporated by reference in most gift instruments, the Foundation views its variance power as an explicit expression of donor intent (see Note F).

The Board of Trustees, on the advice of legal counsel, has determined that the majority of the Foundation's endowment funds meet the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). Most of the Foundation's endowment contributions are received subject to the terms of a standard fund agreement. Under the terms of the standard fund agreement, the Board of Trustees has the ability to distribute as much of the corpus of any gift, devise, bequest, or fund as the board in its sole discretion shall determine under the Foundation's current spending policy. As a result of the ability to distribute corpus, the Board of Trustees has determined that all endowment contributions received subject to the standard fund agreement, and subject to UPMIFA, are classified as temporarily restricted until appropriated, at which time the appropriation is reclassified to unrestricted net assets. Generally, if the corpus of a contribution may at some future time become available for spending it is recorded as temporarily restricted. If the corpus never becomes available for spending (i.e., variance power is not specifically incorporated in the gift instrument), it will be reported as permanently restricted.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Net Asset Classification--Continued: In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate 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 addition to donor imposed endowment restrictions, all contributions received with donor imposed time restrictions are classified as temporarily restricted until the payments are received unless the respective gift is specifically designated for use in the current period by the donor. Contributions received under split-interest agreements, except for charitable gift annuities, are also classified as temporarily restricted due to the implied time restriction on the use of such assets.

Endowment Investment and Spending Policies: The Foundation has adopted investment and spending policies for endowments that attempt to provide a predictable stream of funding to programs supported by its endowment. The Foundation's investment and spending policies work together, to achieve this objective. The current long-term return objective is compared to a similarly weighted benchmark representing appropriate market based indices. The performance is also compared to the general inflation rate as measured by the Consumer Price Index. The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowment funds. The current spending policy is to distribute an amount not greater than 5% of the average of the preceding sixteen quarters net asset balance in the fund.

Contribution Revenue Recognition: Contributions are recognized as revenue when they are received or unconditionally promised. Bequests are recognized as contribution revenue at the date the will is declared valid by the probate court and the amount to be received by the Foundation can be estimated. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the gift date. Contributions to be received after one year are recorded at the present value of their estimated future cash flows using a discount rate which is commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in the same net asset class and fund as the original contribution.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Contribution Revenue Recognition--Continued: The Foundation reports gifts of cash and other assets as restricted support when they are received under gift instruments with donor stipulations that limit their use and/or time restrictions (including implied time restrictions). When a restriction expires, that is, when a stipulated time restriction ends or donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restriction.

Reclassifications-Donor Directed: Generally, reclassifications directed by the donor result from the reclassification of a donor advised fund to a donor-restricted endowment fund. Many of the Foundation's standard donor advised fund agreements state that upon the passing of the last advisor, the balance of the fund will become a fund of perpetual duration.

Cash Equivalents: Cash equivalents consist of highly liquid investments with an original maturity of three months or less.

Beneficial Interest in Charitable Remainder Trusts: Beneficial interest in charitable remainder trusts represents the amount held for the benefit of the Foundation under irrevocable trust agreements between donors and third party trustees and are carried at fair value in the consolidated statements of financial position (see Note E). The Foundation estimates the fair value of the interest annually and recognizes any changes in the fair value as a change in value of split-interests in the consolidated statements of activities.

Investments: The Foundation records investments in marketable securities and real estate investment trusts with readily determinable market values at fair value in the consolidated statements of financial position. Investments in equity securities and real estate investment trusts that do not have a readily determinable market value are recorded at the lower of cost or market and are evaluated for impairment annually. Unrealized gains and losses are included in the change in net assets and realized gains and losses are calculated on the average cost basis in the consolidated statements of activities.

The fair value of investments is determined using quoted market prices when available. Pooled equity funds, fund of funds, and private equity funds are reported at net asset value as provided by the external investment managers. The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of fair value (see Note K).

The Foundation carries real estate investments, limited partnership interests, and certain investments at the lower of cost or market. Investments carried at cost consist of limited partnership interests, closely held stock, and certain real estate investment trusts. The Foundation evaluates these investments for impairment when events or changes in circumstances are identified that may have a significant adverse effect on the fair value of the assets.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Investments--Continued: If the fair value of the asset is less than the carrying value, then the asset is considered impaired. If this occurs, the Foundation performs an evaluation to determine whether this impairment is other-than-temporary. If the impairment is determined to be temporary then no impairment is recognized. If the impairment is determined to be other-than-temporary the investment is written down to its estimated fair value. Once impairment is recognized the asset will not be written back to cost, even if the investment subsequently increases in fair value.

Real Estate Investments: Real estate investments are stated at the lower of historical cost if purchased or fair market value at the date of donation, net of accumulated depreciation. Periodic fair value appraisals are made as deemed necessary based on economic conditions and management discretion. Improvements to real estate in excess of $1,000 are depreciated on a straight-line basis from 3 to 35 years, which are the estimated lives of the improvements. At June 30, 2014 and 2013, the Foundation held real estate investments with a cost basis of approximately $79,987,000 and $52,257,000, net of accumulated depreciation totaling approximately $8,209,000 and $6,877,000, respectively. Depreciation expense related to real estate investments was approximately $1,332,000 and $1,339,000 for the years ended June 30, 2014 and 2013, respectively.

Limited Partnership Interests: Investments classified as limited partnership interests in the statement of financial position do not have readily determinable fair values and are carried at the lower of cost or market (or fair value on the date of gift). The Foundation did not estimate the fair value of the limited partnership interests carried at cost for impairment due to the nature of the investments, prohibitive cost of obtaining such information, and because no identified events or changes in circumstances that may have a significant adverse effect on the fair value occurred during 2014 or 2013.

Financial Instruments with Off-Balance Sheet Risk: Market risk arises primarily from changes in the market value of financial instruments. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Foundation's overall exposure to market risk. The Foundation attempts to control its exposure to market risk through a highly diversified investment portfolio.

Concentration of credit risk arises primarily from investing a large portion of total investments with a few investment managers or brokers. The Foundation is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Foundation may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Foundation’s policy to transact with counterparties with good credit standing.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Financial Instruments with Off-Balance Sheet Risk--Continued: In the normal course of its business, the Foundation enters into contracts and agreements with certain service providers, such as clearing and custody agents, trustees and administrators that contain a variety of representations and warranties and which provide general indemnifications and guarantees against specified potential losses in connection with their activities as an agent of, or providing services to, the Foundation. The Foundation expects the risk of any future obligation arising from potential losses under these arrangements to be remote and has not recorded any contingent liability in the financial statements for these indemnifications. The investment managers of underlying investment partnerships or funds in which the Foundation invests may utilize derivative instruments with off-balance-sheet risk. The Foundation's exposure to risk is limited to the amount of its investment.

Cash Surrender Value of Life Insurance Policies: Cash surrender value of life insurance is recorded at the amount that can be realized at the date of the consolidated statements of financial position.

Headquarters and Equipment: Headquarters and equipment are recorded at estimated fair market value at the date of donation or at cost if purchased. The Foundation capitalizes all purchases of equipment with an original cost basis of $1,000 or more. Depreciation is recorded using the straight-line method based on expected useful lives ranging from 3 to 40 years.

Split Interest Agreements and Gift Annuities: Under charitable remainder trust and annuity agreements, the Foundation pays annual benefits from the trust's assets over the term of the trust to third party beneficiaries with remaining trust assets at the end of the trust's term being distributed to the Foundation and/or other charities as directed by the trust instrument. Under charitable gift annuities, assets received are available for immediate use by the Foundation and annual benefits paid from the Foundation assets are distributed to third party beneficiaries over the term of the agreement. See Note E for additional information regarding the Foundation's split-interest agreements and gift annuities.

Funds Held for Others: The Foundation follows the ASC Topic, *Transfers of assets to a Not-for-Profit entity or charitable trust that raises or holds contributions for others*. This guidance requires the Foundation to account for assets that are received from a not-for-profit organization for the benefit of that not-for-profit organization, or one of its affiliated organizations, as a liability to the specified beneficiary concurrent with its recognition of the assets received. The Foundation maintains variance power and legal ownership over these funds. All asset transfers of this type, and the activity associated with those assets, are recognized as agency transactions and are not reflected in the consolidated statements of activities. In the consolidated statements of financial position, the assets held on behalf of the agency are included in cash and investments and the related liability is classified as funds held for others.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Funds Held for Others--Continued: Assets and liabilities related to such funds totaled approximately $34,216,000 and $31,417,000 at June 30, 2014 and 2013. These assets are managed in accordance with the same investment and spending policies as the Foundation's other endowment funds.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Costs are allocated between development, general and administrative, or grants and other program services based on evaluations of the related activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Grants: Grants are recorded as an expense when they are approved by the Foundation officers for payment and all conditions of the grant have been met by the grantee. The Board of Trustees ratifies grants at their quarterly meetings.

Income Tax Matters: The Community Foundation and the Supporting Organizations are exempt from federal income tax under Section 501(a) of the Internal Revenue Code ("IRC") as organizations described in IRC Section 501(c)(3), and have been determined not to be private foundations under Section 509(a) of the IRC. Accordingly, no provision for income taxes has been made related to the Foundation; however, should the Foundation engage in activities unrelated to the purpose for which it was created, taxable income could result. Capital gains received through partnership interests are taxable. The Foundation did not incur any federal income tax for the years ended June 30, 2014 or 2013.

Accounting for Uncertain Tax Positions: Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold would be recorded as a tax benefit or expense and liability in the current year. Management has determined that there are no material uncertain income tax positions. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ending on or prior to June 30, 2010.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Recently Adopted Accounting Pronouncements: For the year ended June 30, 2014, the Foundation implemented ASU 2012-05, *Statement of Cash Flows (Topic 230): Not-for-Profit ("NFP") Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows.* This ASU requires a NFP to classify cash receipts from the sale of donated financial assets consistently with cash donations received if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes. If the donor restricted the use to long-term purposes, those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities. Implementation of ASU 2012-05 impacted the presentation of proceeds from sales of noncash contributions in the consolidated statement of cash flows.

Recently Issued Accounting Pronouncements: In April 2013, the FASB issued ASU 2013-06 *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate,* effective on a prospective basis for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. These amendments require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. A recipient not-for-profit entity may apply the amendments using a modified retrospective approach under which all prior periods presented upon the date of adoption should be adjusted, but no adjustment should be made to the beginning balance of net assets of the earliest period presented. The Foundation does not expect implementation of the ASU to have a material impact on its consolidated financial statements.

Prior Year Information: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2013, from which the summarized information was derived. Certain reclassifications of prior year comparative totals have been made in order to conform to the current year presentation.

Subsequent Events: Management has evaluated subsequent events through October 23, 2014, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

NOTE B--INVESTMENTS

The fair values of investments are as follows at June 30 (in thousands):

	2014	2013
Marketable securities:		
Governmental securities	$ 8,443	$ 18,014
Corporate bonds	43,358	69,071
Equities	351,816	223,018
Mutual funds	78,970	85,866
Pooled equity funds	267,177	233,615
Fund of funds	44,381	44,660
Real estate investment trust (REIT)	19,194	17,822
Private equity funds	1,769	3,486
Total marketable securities	$ 815,108	$ 695,552
Other investments - carried at cost:		
Equities	$ 511	$ 1,074
Real estate investment trust (REIT)	879	944
Total other investments	$ 1,390	$ 2,018
Total investments	$ 816,498	$ 697,570

Investment income consists of the following (in thousands):

	2014	2013
Interest and dividends	$ 13,937	$ 13,128
Other investment income	499	372
Consulting, management and administration fees	(2,173)	(2,104)
	$ 12,263	$ 11,396

NOTE C--HEADQUARTERS AND EQUIPMENT

Headquarters and equipment are summarized as follows at June 30 (in thousands):

	2014	2013
Land	$ 2,979	$ 2,979
Building	19,376	19,293
Furniture	1,513	1,495
Office equipment	314	302
Computer equipment and software	2,062	1,977
	26,244	26,046
Less: Accumulated depreciation	(10,305)	(9,499)
	$ 15,939	$ 16,547

Depreciation expense related to the Foundation's headquarters and equipment totaled approximately $806,000 in 2014 and $790,000 in 2013.

NOTE D--GRANTS PAYABLE

Grants approved and committed for future payment are as follows at June 30 (in thousands):

	2014	2013
Grants payable in:		
Less than one year	$ 18,746	$ 28,802
One to five years	9,729	11,241
Five to ten years	1,049	205
	29,524	40,248
Less: Unamortized discount (.95%-3.16%)	(495)	(423)
	$ 29,029	$ 39,825

Conditional grants totaled approximately $16,772,000 and $8,930,000 at June 30, 2014 and 2013, respectively, are not recorded as expense until the conditions are substantially met by the grantee.

NOTE E--SPLIT-INTEREST AGREEMENTS

At June 30, 2014 and 2013, the Foundation has recorded approximately $8,414,000 and $7,858,000, in fair value of charitable gift annuities and charitable remainder trusts in which the Foundation serves as the trustee, as an asset in its consolidated statements of financial position. Assets received under these agreements are recorded at fair value and in the appropriate net asset category. Related contributions per the agreements are recognized as contribution revenue and are equal to the present value of future benefits to be received by the Foundation over the term of the agreements. The Foundation received no contribution revenue related to these agreements in 2014 or 2013. Liabilities have been established for split-interest agreements in which the Foundation is the trustee or for which the Foundation is obligated to an annuitant under a charitable gift annuity and these liabilities totaled approximately $3,504,000 and $3,283,000 at June 30, 2014 and 2013, respectively. Split-interest agreements for which the Foundation is the trustee but is not the charitable beneficiary (or not the only charitable beneficiary), the Foundation has established liabilities to the other not-for-profit organizations, and this obligation totaled approximately $636,000 and $521,000 at June 30, 2014 and 2013, respectively.

Some of the Foundation’s charitable remainder trusts (included in assets above) are income trusts. Under these agreements, payments to lead beneficiaries (i.e., the individual designated by the donor) are limited to the income earned by the trust and as such a liability to the lead beneficiary is not recorded. Gifts of income trusts are recorded at fair value on the gift date. The fair value of the contribution is the fair value of the assets to be received in the future, discounted for the life expectancy of the lead beneficiary. The difference between the fair value of the assets when received and the fair value of the contribution is recognized as deferred revenue in the statement of financial position and totaled approximately $407,000 and $481,000 at June 30, 2014 and 2013, respectively. The discount will be amortized over the term of the trusts as a decrease in deferred revenue and an increase in change in value of split-interest agreements in the consolidated statements of activities.

During the term of the agreements, changes in the value of the split-interest agreements are recognized in the consolidated statements of activities based on accretion of the discounted amount of the contribution, and reevaluations of the expected future benefits (payments) to be received (paid) by the Foundation (beneficiaries), based on changes in life expectancy and other assumptions. Discount rates ranging from 1.4% to 3.2% were used in these calculations at the dates of the contributions.

The Foundation is the beneficiary of six irrevocable charitable remainder trusts held by financial institutions at June 30, 2014 and 2013. The beneficial interest is carried at fair value which is based on the present value of the future distributions expected to be received over the term of the agreements. There was no contribution revenue related to the beneficial interests in 2014 and 2013. For the years ending June 30, 2014 and 2013, the Foundation used a discount rate of 3.8%, and determined the trusts have a fair value of approximately $5,735,000 and $5,116,000 at June 30, 2014 and 2013, respectively. Changes in fair value of the beneficial interests are reflected as a change in value of split-interest agreements in the consolidated statements of activities.

NOTE F--TOTAL NET ASSET COMPOSITION

The Foundation's total net asset composition at June 30, 2014 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	$ 24,606	$ 132,986	$ 4,656	$ 162,248
Supporting organizations	464,294	8,897	-	473,191
Non-endowment funds:				
Donor advised	211,001	-	-	211,001
Donor purpose restricted	-	2,523	-	2,523
Non-donor advised	122,642	-	-	122,642
Headquarters and equipment	15,939	-	-	15,939
	349,582	2,523	-	352,105
Split-interest agreements	86	9,516	-	9,602
Total net assets	$ 838,568	$ 153,922	$ 4,656	$ 997,146

The Foundation's total net asset composition at June 30, 2013 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	$ 22,305	$ 117,237	$ 5,581	$ 145,123
Supporting organizations	428,454	8,118	-	436,572
Non-endowment funds:				
Donor advised	182,594	-	-	182,594
Donor purpose restricted	-	2,859	-	2,859
Non-donor advised	111,525	-	-	111,525
Headquarters and equipment	16,547	-	-	16,547
	310,666	2,859	-	313,525
Split-interest agreements	57	8,632	-	8,689
Total net assets	$ 761,482	$ 136,846	$ 5,581	$ 903,909

NOTE F--TOTAL NET ASSET COMPOSITION--Continued

Temporarily restricted net assets include contributions received with endowment restrictions, time restrictions, and those received under split-interest agreements with an implied time restriction. In addition, the Foundation continues to classify contributions (and related net assets) received under gift instruments (generally grants) which specifically do not reference variance power and require the return of assets if not used for the donor specified purpose until such funds are expended in accordance with the donor restricted purpose as temporarily restricted.

Permanently restricted net assets include donor restricted endowment funds in which variance power is not referenced in the gift instrument and based on the Foundation's legal opinion are not spendable through action of the Board of Trustees.

The Foundation manages approximately 600 donor advised funds. Although grant recommendations are accepted from the donors or other advisors of these funds, the ultimate discretion of the use of these funds lies with the Board of Trustees. Non-donor advised funds represent amounts held by the Foundation designated for specific purposes by donors and/or the Foundation.

NOTE G--ENDOWMENT FUNDS

Endowment net asset composition at June 30, 2014 is summarized as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 132,986	$ 4,656	$ 137,642
Board-designated endowment funds	24,606	-	-	24,606
Total endowment funds	$ 24,606	$ 132,986	$ 4,656	$ 162,248

Changes in endowment net assets for the year ended June 30, 2014 are summarized as follows (in thousands):

	Unrestricted	Restricted	Restricted	Total
Endowment net assets at July 1, 2013	$ 22,305	$ 117,237	$ 5,581	$ 145,123
Investment return:				
Investment income	139	1,262	-	1,401
Realized gains	1,470	7,354	-	8,824
Unrealized gains	1,754	9,863	-	11,617
Total investment return	3,363	18,479	-	21,842
Other loss	-	(173)	-	(173)
Contributions	-	2,601	25	2,626
Donor-directed reclassifications	-	(205)	(950)	(1,155)
Appropriation of endowment assets	(1,062)	(4,953)	-	(6,015)
Endowment net assets at June 30, 2014	$ 24,606	$ 132,986	$ 4,656	$ 162,248

NOTE G--ENDOWMENT FUNDS--Continued

Endowment net asset composition at June 30, 2013 is summarized as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 117,237	$ 5,581	$ 122,818
Board-designated endowment funds	22,305	-	-	22,305
Total endowment funds	$ 22,305	$ 117,237	$ 5,581	$ 145,123

Changes in endowment net assets for the year ended June 30, 2013 are summarized as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at July 1, 2012	$ 19,688	$ 102,962	$ 6,031	$ 128,681
Investment return:				
Investment income	82	890	-	972
Realized gains	489	2,495	-	2,984
Unrealized gains	2,151	11,107	-	13,258
Total investment return	2,722	14,492	-	17,214
Other income	-	14	-	14
Contributions	-	3,676	50	3,726
Donor-directed reclassifications	855	1,129	(500)	1,484
Appropriation of endowment assets	(960)	(5,036)	-	(5,996)
Endowment net assets at June 30, 2013	$ 22,305	$ 117,237	$ 5,581	$ 145,123

NOTE H--EMPLOYEE BENEFIT PLANS

The Foundation has a defined benefit employee retirement plan, the CFT Employees Retirement Plan (the "Plan"), for all employees who have completed one year of service. Enrollment in this plan was closed to new participants in 2005. In the years ended June 30, 2008 and 2009, the Plan reopened to allow the minimum number of employees in the Plan to maintain its qualified status. In September 2008, the Foundation's Board of Trustees adopted a resolution to curtail the Plan with no further benefits accruing for current participants. In April 2014, the Foundation's Board of Trustees delegated authority to the Finance and Audit Committee to fully fund and terminate the Plan. In May 2014, the Finance and Audit Committee voted to proceed with fully funding and terminating the Plan.

NOTE H--EMPLOYEE BENEFIT PLANS--Continued

Obligations and funded status at June 30 (in thousands):

	2014	2013
Projected benefit obligation	$ 3,071	$ 3,042
Plan assets at fair value	2,318	2,161
Funded status (included in accrued liabilities and other payables)	$ (753)	$ (881)
Accumulated benefit obligation	$ 3,071	$ 3,042
Employer contributions	150	149
Benefits paid	(233)	(340)

Net periodic pension costs (in thousands):

	2014	2013
Interest cost	$ 122	$ 118
Amortization of prior service cost and net loss	56	74
Expected return on plan assets	(151)	(148)
Total recognized in net periodic pension cost and unrestricted net assets	$ 27	$ 44

The estimated net loss and prior service cost for the defined benefit employee retirement plan that will be amortized from changes in unrestricted net assets into net periodic benefit cost over the next fiscal year is $24,000.

The following assumptions were used in accounting for the Plan:

	2014	2013
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.15%	3.50%
Weighted-average assumptions used to determine net periodic benefit cost for the year ended:		
Discount rate	3.70%	4.15%

The total expected rate of return on assets is determined by assessing the rates of return on each targeted asset class, return premiums generated by portfolio management, and by a comparison of rates used by other companies.

NOTE H--EMPLOYEE BENEFIT PLANS--Continued

The overall investment goal of the Plan is to achieve a "real" long-term rate of return over inflation resulting from income, capital gains, or both which will assist the Plan in meeting its long-term objectives. Investment management of the assets is in accordance with the Plan's investment policy that includes an asset target allocation of 50% equities and 50% fixed income, with a 10% allowance either way. In 2014, investments were sold and reinvested in cash and cash equivalents in accordance with management's intent to terminate the Plan.

The Plan anticipates terminating the Plan and estimated future benefit payments at June 30, 2014 for the next fiscal year are $3,100,000. Contributions to the Plan for 2015 are estimated at approximately $800,000 to fully fund the Plan.

The Foundation's pension plan assets are carried at fair value in accordance with the fair value hierarchy as described in Note K. A description of the valuation techniques applied to the Plan's assets is as follows:

Cash: Cash includes investments in funds comprised of short-term securities that can be liquidated daily and are valued at the closing price reported by the funds' sponsor.

Debt and Equity Index Funds: Debt and equity index funds are collective trust funds valued at net asset value ("NAV") per share as provided by the fund manager and is derived from dividing the fund's net assets at fair value by its units outstanding at the valuation date. The shares of these accounts may be purchased or sold daily at NAV. There are no restrictions or notice requirements for participant transactions and the Plan has no funding commitments to the common collective trust funds.

The fair values of the Plan assets and their classifications within the fair value hierarchy are summarized as follows at June 30, 2014 (in thousands):

	Level 1	Level 2	Total
Asset Class:			
Cash and cash equivalents	$ 2,318	$ -	$ 2,318

NOTE H--EMPLOYEE BENEFIT PLANS--Continued

The fair values of the Plan assets and their classifications within the fair value hierarchy are summarized as follows at June 30, 2013 (in thousands):

	Level 1	Level 2	Total
Asset Class:			
Cash and cash equivalents	$ 46	$ -	$ 46
Equity index funds	-	1,205	1,205
Debt index funds	-	910	910
	$ 46	$ 2,115	$ 2,161

Defined Contribution Plan

The Foundation has a defined contribution plan which covers all full-time employees of the Foundation who have completed one year of service and attained the age of twenty-one. Participating employees can contribute on a voluntary basis up to 82% of eligible earnings not to exceed the amount allowed by law. The Foundation makes matching contributions on a discretionary basis, as determined by the Board of Trustees. In addition, all full time employees with more than one year of service receive a safe harbor contribution of at least 3% of their annual salary. Costs associated with the Plan including contributions were approximately $369,000 in 2014 and $380,000 in 2013.

NOTE I--CONCENTRATIONS AND RISKS OF CREDIT

At June 30, 2014 and 2013, the Foundation maintained uninsured balances of cash and cash equivalents of approximately $24,116,000 and $22,324,000, respectively, in depository accounts and approximately $112,556,000 and $119,639,000, respectively, in short-term securities and money market funds with financial institutions. The Foundation monitors financial institution concentrations and does not anticipate any losses from these concentrations.

At June 30, 2014, net contributions receivable of approximately 79% are due from three donors, and at June 30, 2013, net contributions receivable of approximately 98% are due from two donors. In 2014, the Foundation received contributions from ten donors representing 50% of total contribution revenue and in 2013 received contributions from two donors representing 50% of total contribution.

NOTE J--CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable, including amounts due under pledge agreements, are expected to be collected as follows at June 30 (in thousands):

	2014	2013
Contributions receivable in:		
Less than one year	$ 3,814	$ 62,017
One to five years	-	50
	3,814	62,067
Less: Unamortized discount (3.0% - 3.4%)	-	(86)
	$ 3,814	$ 61,981

Unconditional contributions receivable net of discount and allowance that are temporarily restricted are described as follows at June 30 (in thousands):

	2014	2013
Temporarily Restricted:		
Endowment funds	$ 1,000	$ -
Donor purpose restricted	1,094	1,404
Total	$ 2,094	$ 1,404

At June 30, 2014 and 2013, conditional promises to give were approximately $2,269,000 and $4,752,000, respectively. These contributions will be recorded as revenue when the conditions have been substantially met.

NOTE K--FAIR VALUE MEASUREMENTS

As described in Note A, the Foundation records its investments in marketable securities, certain real estate investments trusts, certain limited partnerships (including fund of funds and private equity), and beneficial interests in charitable remainder trusts at fair value. 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.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are summarized as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

NOTE K--FAIR VALUE MEASUREMENTS--Continued

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and the fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, and certain general and limited partnership and membership interests in funds that calculate net asset value per share, or its equivalent. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include certain general and limited partnership interests in private equity and funds of funds.

All transfers between fair value hierarchy levels are recognized by the Foundation at the end of each reporting period.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and consideration of factors specific to the investment. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments. Indicative quotes or evaluations from brokers and pricing services are not necessarily determinative of fair value. The Foundation considers whether the quotes represent an exit price and which level in the hierarchy they fall. In evaluating whether a quote is representative of fair value, the Foundation considers the specific facts and circumstances of the position and quote. This consideration may include factors such as (1) the level of current trading activity, (2) current bid ask spreads relative to previous spreads, (3) dispersion in the quotes received, (4) whether the quotes represent forced transactions (5) whether the quotes are indicative or binding, (6) whether the quotes vary from recent transaction prices, and (7) whether the quotes are developed by the third party based on relevant observable inputs.

The Foundation may challenge the quotes provided if the Foundation does not believe that the quotes represent an appropriate value based on other information such as recent transactions or values from other sources or methods. On an as needed basis, the Foundation will consider backtesting, or a comparison of quotes obtained to actual transaction data. The Foundation may also consider assessing the valuation methodology used by the third party to develop the quote and assess the observability and significance of the inputs used.

NOTE K--FAIR VALUE MEASUREMENTS--Continued

Indicative quotes will be considered Level 3 absent evidence to show that the quote represents observable data. For example, evidence to show that the quote is a Level 2 input might include 1) the quote is comparable to a recent transaction, 2) back-testing demonstrates that quotes have historically been close to transactions, or 3) the quote is developed by the third party using observable inputs. It is important to note that a quote or multiple quotes may still be representative of fair value even if they fall into Level 3 of the fair value hierarchy.

Therefore, the Foundation may use a quote or quotes if it determines that they represent fair value if it does not have information to demonstrate that it is a Level 2. The determination of fair value using these methodologies takes into account consideration of a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. These valuation methodologies involve a significant degree of judgment by the Foundation. Because the Foundation is under no compulsion to dispose of its portfolio investments, the estimated values, as determined above, may not reflect amounts that could be realized upon immediate sale nor amounts that ultimately may be realized. Because of the inherent uncertainty of the valuation, those estimated values may differ significantly from the values that would have been used had a ready market for those securities existed, and the differences could be material. A description of the valuation techniques applied to the Foundation's major categories of assets measured at fair value on a recurring basis is summarized as follows:

Cash Equivalents: Cash equivalents primarily include time deposits, certificates of deposit, commercial paper, high-quality money market funds, and all highly liquid instruments with original maturities of three months or less. Time deposits and certificates of deposit included in cash equivalents are valued at amortized cost, which approximates fair value due to maturity dates less than one year. These are included within cash equivalents in Level 2. Commercial paper included in cash equivalents is valued using broker quotes that utilize observable market inputs and are included within cash equivalents in Level 2. Money market mutual funds are valued at the closing price reported by the funds sponsor and are included in Level 1 because these funds are composed of short-term securities and can be liquidated in several days or less.

Equity Securities (Common and Preferred Stock) and Mutual Funds: Securities traded on national securities exchanges (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

NOTE K--FAIR VALUE MEASUREMENTS--Continued

Corporate Bonds: The fair value of corporate bonds is estimated using various market approach techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments. Although most corporate bonds are categorized in Level 2 of the fair value hierarchy, in instances where lower relative weight is placed on transaction prices, quotations, or similar observable inputs, they can be categorized as Level 3.

Government Securities: U.S. Government securities are normally valued using the market approach using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations. U.S. Government securities are categorized in Level 1 or Level 2 of the fair value hierarchy depending on the inputs used and market activity levels for specific securities.

Pooled Equity Funds, Fund of Funds, Private Equity Funds, and REITs Partnerships: Investments for which prices are not observable are generally fund of funds, pooled funds, or REITs that invest in equity and debt securities or partnerships including real estate partnerships. Fair value of these investments is based on Level 2 and 3 inputs and is determined by net asset values per share reported by investment managers. In the absence of a principal market (public market), the Foundation determines the most advantageous market in which the Foundation would sell their investment. Typically, the Foundation expects to exit their investment through a sale of the shares in the investment. Valuations of the underlying portfolio companies are completed to compute the fair value the Foundation will receive upon such a sale. Generally, these valuations are derived by taking the net asset value of the Company and calculating the net asset value per share. Investments may also be valued at cost for a period of time after an acquisition as the best indicator of fair value.

Depending on the redemption options available, as a practical expedient it may be possible for these types of investments that the reported NAV represents fair value based on observable data such as ongoing redemption and/or subscription activity. In these cases, the NAV is considered a Level 2 input. However, certain funds may provide the Foundation with the ability to suspend or postpone redemption (a "gate"), or a “lock-in period” upon initial subscription, within which the Foundation may not redeem without incurring a penalty. In the case of the imposition of a gate, if a “lock-in period” in excess of 3 months is remaining at the consolidated statements of financial position date, or if the Foundation may not redeem its holding in the fund within 3 months or less, the Foundation’s ability to validate or verify the NAV through redeeming is impaired, and the investment is generally classified as Level 3.

NOTE K--FAIR VALUE MEASUREMENTS--Continued

Pooled Equity Funds, Fund of Funds, Private Equity Funds, and REITs Partnerships--Continued: If the fair value of private equity investments held cannot be valued by reference to observable valuation measures for comparable companies, then the primary analytical method used to estimate the fair value of such private equity investments is the discounted cash flow method. A sensitivity analysis is applied to the estimated future cash flows using various factors depending on the investment, including assumed growth rate (in cash flows), capitalization rates (for determining terminal values) and appropriate discount rates to determine a range of reasonable values. The valuation based on the inputs determined to be the most probable is used as the fair value of the investment.

The determination of fair value using these methodologies takes into consideration a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment. These valuation methodologies involve a significant degree of judgment by management.

Beneficial Interest in Charitable Remainder Trust: The fair value of the underlying trust assets are based on quoted market prices when available or the best estimate of fair value as determined by the trust manager. The Foundation's valuation technique considers the fair value of the assets held in the trust, the age of the lead beneficiaries, and applies a discount rate to convert the Foundation's interest in the trust to a single present value amount. The discount rate used by the Foundation reflects current market conditions including the inherent risk in the underlying assets and the risk of nonperformance by the trustee. Due to the significant unobservable inputs required to estimate the expected future cash receipts from the trust agreement under the income approach, the Foundation's beneficial interest is classified as Level 3.

Funds Held for Others: The liabilities are carried at fair value as determined using the income approach (expected future cash outflows). Fair value is based on the fair value of the cash and investment assets held by the Foundation for the benefit of others. The specific assets held have been classified within the hierarchy for investments (as discussed above) or are cash and cash and equivalents. The related and associated liability is classified as Level 3 in the hierarchy as there is no market for a similar liability and principal inputs (i.e., fair value of assets in the portfolio and management's allocation for shares in the pool) are unobservable and significant to the overall fair value measurement.

NOTE K--FAIR VALUE MEASUREMENTS--Continued

Assets and liabilities measured at fair value are classified within the fair value hierarchy as follows at June 30, 2014 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 112,535	$ 26,031	$ -	$ 138,566
Investments:				
Government securities	7,042	1,401	-	8,443
Corporate bonds	-	43,358	-	43,358
Equities	351,816	-	-	351,816
Mutual funds	78,970	-	-	78,970
Pooled equity funds:				
Russell index funds	-	58,274	-	58,274
Equity funds	-	5,298	-	5,298
International funds	-	21,300	-	21,300
Emerging markets funds	-	22,589	-	22,589
Multi-asset fund	-	159,716	-	159,716
Total pooled equity funds	-	267,177	-	267,177
Fund of funds	-	3,141	41,240	44,381
Private equity funds	-	-	1,769	1,769
REITs	1,248	17,946	-	19,194
Total investments	439,076	333,023	43,009	815,108
Beneficial interest in charitable remainder trust	-	-	5,735	5,735
Total assets	$ 551,611	$ 359,054	$ 48,744	$ 959,409
Liabilities:				
Funds held for others	$ -	$ -	$ 34,216	$ 34,216
Total liabilities	$ -	$ -	$ 34,216	$ 34,216

NOTE K--FAIR VALUE MEASUREMENTS--Continued

Assets and liabilities measured at fair value are classified within the fair value hierarchy as follows at June 30, 2013 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 103,008	$ 40,773	$ -	$ 143,781
Investments:				
Government securities	16,572	1,442	-	18,014
Corporate bonds	-	69,071	-	69,071
Equities	223,018	-	-	223,018
Mutual funds	85,866	-	-	85,866
Pooled equity funds:				
Russell index funds	-	56,235	-	56,235
Equity funds	-	4,329	-	4,329
International funds	-	17,136	-	17,136
Emerging markets funds	-	20,122	-	20,122
Multi-asset fund	-	135,793	-	135,793
Total pooled equity funds	-	233,615	-	233,615
Fund of funds	-	3,147	41,513	44,660
Private equity funds	-	-	3,486	3,486
REITs	1,962	15,860	-	17,822
Total investments	327,418	323,135	44,999	695,552
Beneficial interest in charitable remainder trust	-	-	5,116	5,116
Total assets	$ 327,418	$ 323,135	$ 50,115	$ 700,668
Liabilities:				
Funds held for others	$ -	$ -	$ 31,417	$ 31,417
Total liabilities	$ -	$ -	$ 31,417	$ 31,417

NOTE K--FAIR VALUE MEASUREMENTS--Continued

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows (in thousands):

	Fund of Funds	Private Equity Funds	Beneficial Interest In Charitable Remainder Trust	Funds Held For Others
Balance at July 1, 2012	$ 41,562	$ 4,560	$ 4,663	$ 30,478
Realized gain (loss), included in earnings	548	(1,183)	-	-
Unrealized gains, included in earnings	5,671	830	-	-
Change in value of split interest agreements, included in earnings	-	-	453	-
Investment purchases	2,990	430	-	-
Investment sales	(9,258)	(1,151)	-	-
Transfers in of funds held for others	-	-	-	17,020
Transfers out of funds held for others	-	-	-	(16,081)
Balance at June 30, 2013	41,513	3,486	5,116	31,417
Realized gain, included in earnings	-	1,313	-	-
Unrealized gains (loss), included in earnings	1,910	(886)	-	-
Change in value of split interest agreements, included in earnings	-	-	619	-
Investment purchases	4,765	827	-	-
Investment sales	(6,948)	(2,971)	-	-
Transfers in of funds held for others	-	-	-	25,049
Transfers out of funds held for others	-	-	-	(22,250)
Balance at June 30, 2014	$ 41,240	$ 1,769	$ 5,735	$ 34,216

The Level 3 roll-forward is prepared using the same classifications as those used in the statements of activities. The funds held for others transfers in includes new cash receipts ($20,484 in 2014 and $13,447 in 2013), investment income ($182 in 2014 and $63 in 2013), and net realized and unrealized gains ($4,383 in 2014 and $3,510 in 2013), and transfers out includes distributions to the recipient organizations and payment of administrative and other fees ($22,250 in 2014 and $16,081 in 2013).

The Foundation's Level 3 gains and losses included in the change in net assets are summarized as follows (in thousands):

	2014	2013
Total realized and unrealized gains for the period included in change of net assets	$ 2,956	$ 6,319
Change in unrealized gains for the period included in change in net assets for assets held at the end of the reporting period	$ 1,024	$ 6,501

NOTE K--FAIR VALUE MEASUREMENTS--Continued

The following table provides additional information describing the nature and risks of assets carried at NAV by major class:

	June 30, 2014			
	Fair Value (In Thousands)	Unfunded Commitments (In Thousands)	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Russell index funds [a]	$ 58,274	$ -	Daily, Weekly, Monthly, Bi-Monthly	3-30 days
Equity funds [b]	5,298	-	Daily, Monthly	3-30 days
International funds [b]	21,300	-	Weekly, Monthly	3-30 days
Emerging markets funds [a]	22,589	-	Monthly, Bi-Monthly	7-15 days
Multi-asset funds [c]	159,716	-	Daily	1 day
Fund of funds [d]	44,381	7,669	Daily, Quarterly, Monthly, Annually	3-100 days
REITs [e]	17,946	-	Bi-Weekly	15 days
Private equity funds [f]	1,769	1,656	N/A	N/A
	$ 331,273	$ 9,325		

	June 30, 2013			
	Fair Value (In Thousands)	Unfunded Commitments (In Thousands)	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Russell index funds [a]	$ 56,235	$ -	Daily, Weekly, Monthly, Bi-Monthly	3-30 days
Equity funds [b]	4,329	-	Daily, Monthly	3-30 days
International funds [b]	17,136	-	Weekly, Monthly	3-30 days
Emerging markets funds [a]	20,122	-	Monthly, Bi-Monthly	7-15 days
Multi-asset funds [c]	135,793	-	Daily	1 day
Fund of funds [d]	44,660	7,793	Daily, Quarterly, Monthly, Annually	3-100 days
REITs [e]	15,860	-	Bi-Weekly	15 days
Private equity funds [f]	3,486	1,639	N/A	N/A
	$ 297,621	$ 9,432		

(a) This class includes commingled accounts that invest in public equities which are managed as a passive equity index and managers that are hired to buy and sell equity securities which are measured against an equity benchmark. No accounts have short positions.

(b) This class includes commingled accounts that invest only in public equities. No accounts have short positions. The investments are managed as a passive equity index.

NOTE K--FAIR VALUE MEASUREMENTS--Continued

(c) This class contains managers that are hired to buy and sell equity securities and are measured against an equity benchmark. No accounts have short positions.

(d) This class contains managers that are hired to buy and sell equity securities and are measured against an equity benchmark. This class also consists of hedge funds that invest in a variety of managers and strategies. Management of the fund has the ability to shift assets between different sub-sectors, capitalizations, and also have the ability to hold a net long or net short position. The fair values of the investments in this category have been provided by the underlying hedge fund managers. Investments representing approximately 59% of the fund of funds value were not available to be redeemed at June 30, 2014 due to lockup periods extending through 2022. No accounts have short positions.

(e) These investments are commingled accounts that invest only in public real estate investment trusts. No accounts have short positions. The investment is managed as a passive real estate investment trust index.

(f) These investments consist of investments in private equity funds and similar investment funds that are generally designed for long-term investment strategies by investing in companies whose stock is not publically traded, bank debt, and similar investment securities. Distributions are typically based on capital transactions and other liquidity events within the underlying investment funds. The investments in this category cannot currently be redeemed by the Foundation and the ultimate outcome of liquidity events and overall duration of the funds cannot reasonably be determined.

The following table summarizes the valuation techniques and significant unobservable inputs used for the Foundation's investments that are categorized within Level 3 of the fair value hierarchy at June 30, 2014 and 2013:

Investment Type	*(in thousands)* Fair Value at June 30, 2014	Fair Value at June 30, 2013	Valuation Techniques	Unobservable Input [b]	Range of Inputs (Weighted Average)
Beneficial interest in charitable remainder trusts	$ 5,735	$ 5,116	Discounted cash flows	Discount rate [a] Expected rate of return [c]	3.8% (3.8%) 3.8% (3.8%)
Funds held for others	$ 34,216	$ 31,417	Discounted cash flows	Discount rate [a]	0% (0%)

(a) Represents amounts used when the Foundation has determined that market participants would take into account these discounts when pricing the investments.

(b) Significant increases or decreases in any of the above unobservable inputs in isolation may result in a significantly lower or higher fair value measurement.

(c) Represents the net fair market value of assets to be paid to the Foundation based on terms stated in the trust agreement.

NOTE L--COMMITMENTS AND CONTINGENCIES

A supporting organization has a funding agreement with a university which commits to annual contributions of approximately 90% of the lesser of net income (excluding gain on the sale or exchange of property held for investment) or net cash flow from operating activities of the supporting organization not to exceed the target contribution of $1,250,000. In the event the net income or net cash flow is not sufficient to meet the target contribution, the supporting organization has an agreement with a donor to fund the "short-fall" amount. The funding agreement is intended to continue in perpetuity unless, over time, the supporting organization makes "special contributions" (i.e. contributions in excess of "target contribution") aggregating $25,000,000. At June 30, 2014 and 2013 the supporting organization has met the target contribution level for all program years and has made special contributions totaling approximately $12,192,000 and $10,516,000, respectively. The donor may terminate his agreement with the supporting organization at any time, at which point the supporting organization can terminate its agreement with the university subject to a four year phase out period.