Legacy Endowment … The Community Foundation

Financial Statements

* * * * *

June 30, 2015 and 2014

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Polito Eppich
CPAs and Business Advisors

Independent Auditors' Report

To the Board of Directors
Legacy Endowment… The Community Foundation
Fallbrook, California

We have audited the accompanying financial statements of Legacy Endowment . . . The Community Foundation (a nonprofit organization) which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legacy Endowment . . . The Community Foundation as of June 30, 2015, and the changes in its 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 the Legacy Endowment . . . The Community Foundation's 2014 financial statements, and our report dated June 25, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Polito Eppich Associates LLP

December 30, 2015
San Marcos, California

Legacy Endowment … The Community Foundation
Statement of Financial Position
As of June 30, 2015
with Comparative Totals as of June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Assets					
Cash and cash equivalents	$ 66,222	$ 103,548	$ 0	$ 169,770	$ 237,331
Trustee fees receivable	40,467	0	0	40,467	34,469
Investment securities	3,935,827	2,253,621	6,592,696	12,782,144	12,979,973
Total assets	$ 4,042,516	$ 2,357,169	$ 6,592,696	$ 12,992,381	$ 13,251,773
Liabilities and Net Assets					
Liabilities					
Trustee fees payable	$ 38,839	$ 0	$ 0	$ 38,839	$ 34,469
Accrued liabilities	13,127	0	0	13,127	0
Amounts held on behalf of others	2,793,718	0	0	2,793,718	2,884,801
Pending grant distributions	26,265	0	0	26,265	16,750
Liabilities under charitable trust agreements	1,138,978	0	0	1,138,978	1,208,677
Total liabilities	4,010,927	0	0	4,010,927	4,144,697
Net Assets	31,589	2,357,169	6,592,696	8,981,454	9,107,076
Total liabilities and net assets	$ 4,042,516	$ 2,357,169	$ 6,592,696	$ 12,992,381	$ 13,251,773

See accompanying notes and independent auditors' report.

Legacy Endowment . . . The Community Foundation
Statement of Activities
For the Year Ended June 30, 2015
with Comparative Totals for the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Revenue and other support:					
Contributions	$ 50,509	$ 10,273	$ 228,643	$ 289,425	$ 155,162
Less: amounts raised or received on behalf of others	(50,509)	0	0	(50,509)	(144,721)
Net gifts and bequests from donors	0	10,273	228,643	238,916	10,441
Investment gains and other income	112,043	204,880	0	316,923	1,925,173
Less : net investment income allocated to funds held for others	(101,858)	0	0	(101,858)	(563,669)
Net investment gains and other income	10,185	204,880	0	215,065	1,361,504
Trustee fees	138,694	0	0	138,694	127,403
Sub-total	148,879	215,153	228,643	592,675	1,499,348
Change in value of split-interest agreements	0	24,049	0	24,049	(16,673)
Net assets released from restrictions	560,650	(560,650)	0	0	0
Total support and other revenues	709,529	(321,448)	228,643	616,724	1,482,675
Expenses:					
Program services	550,346			550,346	557,613
Less: amounts distributed on behalf of others	(173,924)			(173,924)	(219,655)
Net program grants	376,422	0	0	376,422	337,958
Fund administrative expenses	223,029			223,029	201,060
Less: expenses allocated to funds held on behalf of others	(64,559)			(64,559)	(61,467)
Net administrative expenses	158,470	0	0	158,470	139,593
Operating expenses	159,498			159,498	150,763
Fundraising	0			0	1,205
CRT distributions, net amounts distributed on behalf of others	47,956			47,956	32,078
Total expenses	742,346	0	0	742,346	661,597
Change in net assets	(32,817)	(321,448)	228,643	(125,622)	821,078
Net assets at beginning of year	64,406	2,678,617	6,364,053	9,107,076	8,285,998
Net assets at end of year	$ 31,589	$ 2,357,169	$ 6,592,696	$ 8,981,454	$ 9,107,076

See accompanying notes and independent auditors' report.

Legacy Endowment . . . The Community Foundation
Statement of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Increase (decrease) in net assets	$ (125,622)	$ 821,078
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investment securities	268,839	(1,577,800)
Contribution of stock and securities	(223,293)	0
Contributions restricted for long-term investment	(228,643)	(1,450)
Change in value of split-interest agreements	(24,049)	16,673
Change in operating assets and liabilities:		
Trustee fees receivable	(5,998)	(4,381)
Trustee fees payable	4,370	6,840
Pending grant distributions	9,515	8,733
Accrued liabilities	13,127	(6,330)
Amounts held on behalf of others	(91,083)	304,739
Deferred gift liability	(45,650)	78,817
Net cash used in operating activities	(448,487)	(353,081)
Cash flow from investing activities:		
Purchase of investment securities	(3,390,782)	(2,580,086)
Sales/redemption of investment securities	3,543,065	2,859,579
Net cash provided by investing activities:	152,283	279,493
Cash flow from financing activities:		
Contributions restricted for long-term investments	228,643	1,450
Net cash provided by financing activities	228,643	1,450
Net decrease in cash and cash equivalents	(67,561)	(72,138)
Cash and cash equivalents, beginning	237,331	309,469
Cash and cash equivalents, ending	$ 169,770	$ 237,331
Cash and cash equivalents:		
Cash	32,021	53,012
Money market accounts held with investments	137,749	184,319
Total cash and cash equivalents	$ 169,770	$ 237,331

See accompanying notes and independent auditors' report.

Note 1: Organization

Legacy Endowment ... The Community Foundation (the "Foundation") is a public not-for-profit endowment foundation dedicated to promoting philanthropic giving through facilitating gifts, charitable remainder trusts, and endowments. The Foundation is a neutral facilitator of philanthropy for individuals, families, businesses, and organizations that want to preserve and enhance a higher quality of life, now and for generations to come. The Foundation administers and manages restricted and unrestricted charitable gifts, including endowment funds and pass-through funds, whereby grants are made to charitable institutions and nonprofit organizations.

On April 9, 2013 the Foundation formed a wholly owned subsidiary, Legacy Community Foundation Properties, LLC, for the purpose of receiving and holding real estate and land property. The subsidiary has no assets or liabilities at June 30, 2015 and 2014, thus it is not consolidated in the accompanying financial statements.

Note 2: Summary of Significant Accounting Policies

Financial Statement Presentation – Financial statement presentation follows the recommendations of generally accepted accounting principles for not-for-profit organizations.

Contributions and Net Assets – Contributions and other assets are classified as one of three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based on the following criteria:

Unrestricted net assets represent expendable funds available for operations that are not otherwise limited by donor restrictions.

Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds or recognize the support.

Permanently restricted net assets represent those assets contributed to the Foundation where the original dollar value is to remain in perpetuity as a permanent endowment of the Foundation. The Foundation’s bylaws provide for variance power, which, under certain circumstances, allows modification of restrictions.

It is the Foundation’s policy that permanently restricted assets are reported at their original value at the time of the gift. Realized and unrealized gains and losses on those assets are recorded as temporarily restricted assets until appropriated, and do not impact the original balance of the permanently restricted assets.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash and money market funds.

Note 2: Summary of Significant Accounting Policies (Continued)

Investments – Investments in equity securities with readily determinable fair market values and all debt securities are reported at fair market value with gains and losses included in the statement of activities.

Investments acquired by gift are recorded at fair market value at the date of the gift. The Foundation's policy is to liquidate all contributed investments as soon as practicable considering market fluctuation.

The Foundation Board adopted an Investment Policy which provides guidance for investment activities including cash, fixed income (domestic and foreign), equity (domestic and foreign) and alternative assets. Professional investment management firms are contracted by the Foundation to provide investment management and consulting services. The Foundation's investment policy is to maximize return with a minimal amount of risk.

Marketable securities consist of global equity securities, other global debt securities, and alternative investments recorded at fair market value. Realized gains or losses on the sale of marketable securities are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair market value of individual investments for the year or since the acquisition date if acquired during the year. Unrealized gains and losses are recorded as a component of unrestricted or temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation.

Property and Equipment – Property and equipment costing more than $10,000 is capitalized at cost. Donated assets over $10,000 used by the Foundation are recorded at fair market value when placed in service. Depreciation is provided by use of the straight-line method over the estimated useful lives of the assets. There was no depreciation expense for the years ending June 30, 2015 and 2014.

Deferred Gifts – The Foundation is trustee of several charitable remainder trusts. Assets received through charitable remainder trusts are recorded at fair market value on the date the contract is executed. The Foundation records annuity liabilities under charitable remainder trusts at the lower of the value of the assets held in the related trusts or the present value of the discounted future cash payments. Present values are based on the rate of return contracted with the donor at the time of the gift using current life expectancy tables.

Grants Payable – The Foundation records liabilities for grants when approved by the Board of Directors. Conditional grants are recorded as liabilities when the conditions to the grants have been substantially met. Grants payable are generally disbursed within one year of approval.

Note 2: Summary of Significant Accounting Policies (Continued)

Amounts Held on Behalf of Others (Agency Funds) – Agency funds represent funds established by donors or other not-for-profit organizations for the purpose of benefiting outside parties or the operations of the donor organization or its affiliates. The agency funds are maintained in the same pooled investment portfolio as the endowment funds.

Income Tax Status – Legacy Endowment ... The Community Foundation (the "Foundation") is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Franchise Tax Code.

The Foundation has analyzed its tax positions taken for filings with the Internal Revenue Service and the state of California. The Foundation believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's financial condition, results of operations, or cash flows. Accordingly, the Foundation has not recorded any tax assets or liabilities, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2015 and 2014.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. Currently there are no audits of the Foundation's returns in process. In general, the Foundation's federal and state income tax returns remain open for the prior three and four years, respectively.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events – The Foundation has evaluated subsequent events through the report date, which is the date the financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to June 30, 2015 that would require adjustment to, or disclosure in these financial statements.

Change in Accounting Principle – The Board of Directors adopted a change in accounting principle over the accounting for investment gains and losses on permanently restricted assets. The Foundation's investment policy encourages long term growth rather than high current earnings and therefore created a restrictive environment on these funds and limited the ability to make grants. The board determined it was prudent to make a policy change to reduce the restriction on these funds to allow for greater grant making ability, consistent with donor intent. This change in accounting principle resulted in a release of permanently restricted net assets of $114,571 to temporarily restricted net assets as of July 1, 2013.

Note 3: Receivables

Trustee fee receivable represents unpaid trustee fees due to the Foundation from the trusts and other funds managed by the Foundation. The fees have been reflected as an expense to the trusts and the trust assets are reported net of the fees. Fee agreements provide that trustee fees are paid from assets managed thus no allowance for doubtful accounts is provided.

Note 4: Investment and Fair Value Disclosures

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Foundation has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own estimates about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Foundation's own data.)

Money market mutual funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Marketable securities including publicly traded investments such as domestic and foreign equity, mutual funds and government and corporate obligations that trade on an active exchange are classified within Level 1.

Note 4: Investment and Fair Value Disclosures (Continued)

The following table presents the Foundation's investments by fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Equities	$ 4,312,951	$ 0	$ 0	$ 4,312,951
Bonds	474,587			474,587
Mutual Funds	7,946,428			7,946,428
Exchange Traded Funds & other	48,178			48,178
Total	$ 12,782,144	$ 0	$ 0	$ 12,782,144

The following table presents the Foundation's investments by fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
Equities	$ 3,126,468	$ 0	$ 0	$ 3,126,468
Bonds	356,697			356,697
Mutual Funds	9,183,387			9,183,387
Exchange Traded Funds	313,421			313,421
Total	$ 12,979,973	$ 0	$ 0	$ 12,979,973

Note 5: Split Interest Agreements

The Foundation is the beneficiary and trustee of a charitable remainder annuity trust. Under the terms of the agreement, the Foundation is required to pay the donor an annuity until the donor's death, or until the fund is expended, at which time the remaining assets are to be distributed to the Foundation. Actuarial assumptions and a discount rate of 6.00% were used in calculating the present value of the amount to be received upon termination of the annuity. In November 2013, the remaining balance was paid to the donor and the fund was closed.

The Foundation is the beneficiary and trustee of a charitable remainder unitrust. A charitable remainder unitrust is an arrangement whereby the Foundation is to pay the donor the amount equal to 6.00% of the trust value as of the first day of the trust's taxable year. Upon death of the donor, the remaining assets are donated to the Foundation to form a permanent endowment fund for specified beneficiaries. The Foundation recorded its beneficial interest in the trust at fair value based on the present value of future benefits expected to be received from the trust. A discount rate of 5.80% and actuarial assumptions were used in calculating the present value of the amount to be received upon termination of the trust. As stated in Note 6, a deferred liability is stated for expected payments to the donor.

Note 5: Split Interest Agreements (Continued)

	Beneficial Interest	Liability to Donors	Net Asset
Charitable remainder unitrust	$ 686,087	$ 221,476	$ 464,611

Charitable trusts are restricted until the end of the term of the agreement, generally the death of donor.

Note 6: Deferred Liabilities

The Foundation serves as trustee for various charitable remainder trusts. Included in the deferred gifts liability at June 30, 2015 and 2014 are the net present value of the future payments due charitable trusts of $1,138,978 and $1,208,677, respectively. Under the terms of these agreements, the Foundation makes distributions to income beneficiaries for a given term, generally the life of the beneficiaries. At the end of the term or upon the death of the income beneficiaries, assets remaining in the trust will be transferred to the remaining charitable beneficiary. The Foundation records the assets held in these trusts at fair value based on current quoted market values, records a liability for the respective agreements at the estimated discounted value of the amounts due to the income beneficiaries. The present value of payments to beneficiaries under these agreements is calculated using discount rates in existence at the date of the gift. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the liability account. The Foundation did not receive any new charitable trusts for which it serves as the trustee during the fiscal year ending June 30, 2015.

Note 7: Amounts Held on Behalf of Others (Agency Funds)

As of June 30, 2015 and 2014 the Foundation was the custodian of fifteen agency funds with a combined value of $2,793,718 and $2,884,801, respectively. The Foundation has elected to classify its agency funds as either foundational or operational. The foundational agency funds consist of funds that are donated with the purpose of benefiting outside parties in the way of grants or scholarships for which the agency funds were established. The operational agency funds consist of funds that are donated to provide funding for operations of the donor organization or its affiliates. The following table summarizes activity in such funds for the years ended June 30, 2015 and 2014:

Note 7: Amounts Held on Behalf of Others (Agency Funds) (Continued)

	2015	2014
Foundational		
Beginning balance	$ 170,069	$ 166,664
Amounts raised	54,795	77,977
Interest and dividends	9,563	5,542
Realized gains (losses) – net	5,523	4,407
Unrealized gains (losses) – net	(9,177)	18,200
Grants	(4,090)	(99,300)
Investment fees and expenses – net	(2,774)	(3,421)
Foundational funds	223,909	170,069
Operational		
Beginning balance	2,714,732	2,413,398
Amounts raised	260	66,744
Interest and dividends	122,202	71,881
Realized gains (losses) – net	69,185	63,119
Unrealized gains (losses) – net	(125,406)	263,717
Grants	(169,834)	(120,355)
Investment fees and expenses – net	(41,330)	(43,772)
Operational funds	2,569,809	2,714,732
Total amounts held on behalf of others	$ 2,793,718	$ 2,884,801

Note 8: Endowments

The Board of Directors of the Foundation utilizes guidance on the net asset classification of donor-restricted endowment funds in accordance with the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The Foundation interprets UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of 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 as 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. The Foundation considers the following factors in making a determination to invest or appropriate donor-restricted endowment funds:

Note 8: Endowments (Continued)

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

The Foundation has investment and spending policies for endowment assets designed to provide a predictable stream of funding for operations and granting. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under the investment policy, as approved by the Board, the endowment assets are invested in a manner which attempts to achieve reasonable rate of return consistent with the risk levels established by the Investment Committee for all permanently restricted endowment assets. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Endowment funds are maintained in pooled investment portfolios. Interest, dividends, and realized and unrealized gains and losses in the investment pools are allocated monthly to the endowment funds in proportion to each fund's share in the investment pools. Each fund's value is established at the end of each fiscal year and the Board decides on the prudent amount to be distributed not to exceed 4.5% of the fund assets.

The board honored the request of a donor allowing a temporarily restricted endowment fund to be excluded from the pooled investments. The entire fund is managed separately by a different advisor. However, the fund is required to comply with the Foundation's established investment policy and is controlled by the board.

Changes in endowment net assets for the years ending June 30, 2015 and 2014 follow:

Note 8: Endowments (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets June 30, 2013	$ 0	$ 1,286,743	$ 6,477,174	$ 7,763,917
Contributions	0	0	1,450	1,450
Investment income (loss):				
Interest and dividends (net of fees)	0	105,742	0	105,742
Realized and unrealized gains (losses)	0	1,047,129	0	1,047,129
Appropriations	0	(354,705)	0	(354,705)
Change in accounting policy	0	114,571	(114,571)	0
Endowment net assets June 30, 2014	0	2,199,480	6,364,053	8,563,533
Contributions	0	10,273	228,643	238,916
Investment income (loss):				
Interest and dividends (net of fees)	0	245,569	0	245,569
Realized and unrealized gains (losses)	0	(184,593)	0	(184,593)
Appropriations	0	(378,172)	0	(378,172)
Change in accounting policy	0	0	0	0
Endowment net assets June 30, 2015	$ 0	$ 1,892,557	$ 6,592,696	$ 8,485,253

Note 9: Net Asset Restrictions

Restricted net assets consist of the following:

	June 30, 2015		June 30, 2014	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Beneficial interest in split interest agreements	$ 464,611	$ 0	$ 479,137	$ 0
Permanently restricted endowment funds	0	6,592,696	0	6,364,053
Temporarily restricted endowment funds	1,892,557	0	2,199,480	0
	$ 2,357,169	$ 6,592,696	$ 2,678,617	$ 6,364,053

Note 10: Related Party Transactions

Mark Hvasta, board President, is a partner at Levering & Hvasta CPAs, the accounting firm which prepares annual tax returns for the Foundation and charitable remainder trusts. The firm has been preparing the returns since before Mr. Hvasta joined the board. Further, Mr. Hvasta's partner, Richard Levering, is the client services partner for all engagements related to the Foundation and Mr. Hvasta is not involved in the engagements, outside of his role as a board member, and is not directly compensated for such services. Fees paid during to Levering & Hvasta CPAs for the years ending June 30, 2015 and 2014 follow:

	2015	2014
Foundation annual information returns	$ 5,685	$ $ 5,860
Trust tax returns (paid by trusts)	7,925	7,885
Total fees paid to Levering & Hvasta	$ 13,610	$ $13,745

Note 11: Concentrations

The Foundation invests in various types of marketable securities and money market funds. The Foundation has established guidelines relative to diversification and maturities that target certain safety and liquidity risk levels. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates.

The Foundation maintains cash balances at banks located in San Diego. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation. At times, balances may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes that the Foundation is not exposed to any significant credit risk with respect to its cash and cash equivalents.

The Foundation invests in various investment securities, including U.S. government securities, corporate debt instruments, corporate stocks and various alternative investments. Investment securities, in general, are subject to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Note 12: Commitments

The Foundation entered into a two year lease agreement for office space in Fallbrook, California. The tenancy commenced on June 1, 2012 at the base rental of $1,000 per month. In June 2014, the Foundation extended the lease for 2 years at $1,050 per month. Rent expense for the years ending June 30, 2015 and 2014 was $12,050 and $12,000, respectively.

Future minimum lease obligations follow:

Year ending June 30	
2016	$ 11,550
2017 and following	0
	$ 11,550