Communities Foundation of Oklahoma, Inc.

Financial Report
June 30, 2015

McGladrey

Assurance ▪ Tax ▪ Consulting

Contents

McGladrey

Independent Auditor's Report

To the Board of Directors
Communities Foundation of Oklahoma, Inc.
Oklahoma City, Oklahoma

Report on the Financial Statements
We have audited the accompanying financial statements of Communities Foundation of Oklahoma, Inc. (the Foundation), 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 fraud or error.

Auditor's 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 of 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 Communities Foundation of Oklahoma, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of Communities Foundation of Oklahoma, Inc., as of and for the year ended June 30, 2014, were audited by other auditors whose report dated September 16, 2014 expressed an unmodified opinion on those statements.

McGladrey LLP

Oklahoma City, Oklahoma
September 23, 2015

Communities Foundation of Oklahoma, Inc.

Statements of Financial Position
June 30, 2015 and 2014

Assets	**2015**	2014
Current Assets		
Cash and cash equivalents	**$ 3,523,006**	$ 5,478,064
Contributions receivable, net	**2,132,564**	2,661,797
Investments	**86,062,238**	84,449,911
Real estate and mineral interests	**673,431**	723,122
Prepaid expenses	**402**	1,884
Total assets	**$ 92,391,641**	$ 93,314,778

Liabilities and Net Assets

Liabilities		
Accounts payable	**$ 51,918**	$ 64,861
Grants payable, net	**4,048,784**	4,395,553
Agency transfers	**28,971,520**	28,189,368
Total liabilities	**33,072,222**	32,649,782
Net Assets		
Unrestricted	**59,319,419**	60,664,996
Total liabilities and net assets	**$ 92,391,641**	$ 93,314,778

See Notes to Financial Statements.

Communities Foundation of Oklahoma, Inc.

Statements of Activities
Years Ended June 30, 2015 and 2014

		2015		2014
Revenues, Investment Gains (Losses) and Other Support:				
Contributions	$	7,637,908	$	8,773,207
Investment income		1,197,599		1,057,747
Realized investment gains		3,869,431		1,891,373
Unrealized investment gains (losses)		(3,732,671)		4,388,111
Administrative fee income		925,240		864,991
Total revenues, and gains (losses) and other support		9,897,507		16,975,429
Expenses:				
Grants and program services		10,518,490		8,081,484
Management and general		655,761		596,959
Fundraising		68,833		44,381
Total expenses		11,243,084		8,722,824
Increase (decrease) in net assets		(1,345,577)		8,252,605
Net Assets at beginning of year		60,664,996		52,412,391
Net Assets at end of year	$	59,319,419	$	60,664,996

See Notes to Financial Statements.

Communities Foundation of Oklahoma, Inc.

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

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	$ (1,345,577)	$ 8,252,605
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized investment (gains) losses	3,732,671	(4,388,111)
Net realized investment (gains)	(3,869,431)	(1,891,373)
Noncash contributions	(677,323)	(275,535)
Proceeds from sale of noncash contributions	677,323	275,535
Change in operating assets and liabilities:		
Contributions receivable	529,233	61,591
Prepaid expenses	1,482	1,482
Accounts payable	(12,943)	3,457
Grants payable	(346,769)	474,523
Agency transfers	40,201	(524,472)
Net cash provided by (used in) operating activities	(1,271,133)	1,989,702
Cash Flows From Investing Activities		
Proceeds from sale of investment securities	4,462,039	3,619,655
Purchases of investment securities	(5,145,964)	(3,708,178)
Net cash used in investing activities	(683,925)	(88,523)
Change in cash and cash equivalents	(1,955,058)	1,901,179
Cash and Cash Equivalents at beginning of year	5,478,064	3,576,885
Cash and Cash Equivalents at end of year	$ 3,523,006	$ 5,478,064
Supplemental Cash Flow Summary		
Noncash contribution of stock and other investments	$ 677,323	$ 275,535

See Notes to Financial Statements.

Note 1. Organization and Significant Accounting Policies

Organization: Communities Foundation of Oklahoma, Inc. (the Foundation) was incorporated November 26, 1991, under the laws of the state of Oklahoma as a not-for-profit organization to serve the charitable needs of communities in Oklahoma under the name Oklahoma Communities Foundation, Inc. On December 3, 1999, the Foundation amended their articles of incorporation to change their name to Communities Foundation of Oklahoma, Inc. The founders saw a need to create a service for individuals, organizations and communities across the state to donate encompassing all philanthropic interests. Today, the Foundation continues to provide a convenient, efficient and effective vehicle for donors to make gifts that permanently impact their community and a way for charities to build endowments to ensure their ability to continue meeting the needs of their communities long into the future.

Basis of accounting: The financial statements report information regarding the Foundation's financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation receives contributions from donors with recommendations regarding distribution of the assets and the earnings therefrom. The Foundation attempts to meet the desires expressed by the donors at the time of the contribution; however, the Foundation reserves the right to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Foundation's Board of Directors (the Board), such restrictions or conditions become unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community. Accordingly, the financial statements classify all net assets as unrestricted.

The state of Oklahoma adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) November 1, 2007. The Board has determined that the Foundation's net assets do not meet the definition of an endowment under UPMIFA. The Foundation is governed subject to the terms of its by-laws and articles of incorporation and all contributions are subject to the terms of these governing documents. Under the terms of the Foundation's governing documents, the Board has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine.

As a result of the ability to distribute corpus, all contributions to the Foundation are classified as unrestricted net assets for financial statement purposes. While the assets of the Foundation do not meet the definition of an endowment as defined under UPMIFA, some of the assets function as endowments and are managed by the Foundation similar to endowment funds and are considered board-designated endowment funds (see Note 7).

The Foundation accounts for assets that are transferred by a not-for-profit organization (NPO) for the benefit of that NPO or one of its affiliated organizations as a liability to the specified beneficiary concurrent with recognition of the assets received in the transfer. All assets of this type, and the activity associated with those assets, are reported as agency transfers in the statements of financial position.

Contributions received: Contributions received are recorded as unrestricted net assets as discussed above when they are received or unconditionally promised. It is the expressed intention of the Foundation to honor the designations of donors; however, the Foundation reserves the right to exercise final control over all funds.

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

Donated services: No revenues have been recognized in the statements of activities for donated services. The Foundation pays for most services requiring specific expertise; however, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with special projects, committee assignments and service on the Board of Directors.

Note 1. Organization and Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash and cash equivalents consist primarily of cash management accounts and short-term, highly liquid investments with a maturity of three months or less when purchased, excluding cash equivalent funds held in the Foundation's investment portfolio.

Concentration of credit risk: The Foundation maintains cash in bank deposit accounts which, at times, may exceed federally insured limits of $250,000. Checking account balances in excess of federally insured limits are regularly swept into an account that is secured by a mutual fund that invests primarily in government securities. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash or cash equivalents.

In 2015 and 2014, there were two significant concentrations of contributions which comprised 19 percent and 21 percent, respectively, of total contributions. Contributions receivable reflected in the statements of financial position are primarily due from two donors representing 98 percent and 96 percent of gross contributions receivable at June 30, 2015 and 2014, respectively.

Promises to give: Unconditional promises to give are recognized as revenues or gains in the period received or unconditionally promised. Contributions receivable as of June 30, 2015 are expected to be received as follows:

Less than one year	$	538,830
One year to five years, net of discount of $25,587		1,593,734
	$	2,132,564

Promises to give, which are due in more than one year, are discounted at 2 percent, which represent the estimated risk free rate at June 30, 2015 and 2014.

The Foundation considers contributions receivable to be unrestricted support available to support current operations and, as a result, reports these balances as a component of unrestricted net assets.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. An allowance for uncollectible receivables is provided based on management's judgment including factors such as prior collections, history, type of contribution, and nature of the activity. No allowance has been recorded as of June 30, 2015 or 2014.

Grants and program services: Grants and program services represent amounts awarded to various recipients in accordance with the Foundation's mission. Grants payable consist of unconditional amounts awarded, but not paid, to recipients. All amounts included in liabilities as of June 30, 2015, are expected to be paid as follows:

Less than one year	$	1,572,721
One year to five years, net of discount of $34,191		2,476,063
	$	4,048,784

Grants payable, which are due in more than one year, are discounted at 2 percent, which represent the estimated risk free rate at June 30, 2015 and 2014.

Investments: The Foundation carries investments in marketable securities at their fair values in the statements of financial position. Fair values are based on quoted market prices, if available. Non-marketable investments for which observable market prices in active markets do not exist are reported at fair value based on net asset values provided by the investment managers. Substantially all investments are held under a master custodial arrangement by a bank trust department.

Note 1. Organization and Significant Accounting Policies (Continued)

Real estate and mineral interests: Real estate and mineral interests are recorded at the lower of cost or fair value. Permanent decreases in fair value below cost are recorded in the year that such decreases become known. Contributions of real estate and mineral interests are recorded at fair market value at the time of donation.

Property and equipment: Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from five to seven years.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized in the statements of activities. Costs are allocated between grants and program services, management and general and fundraising based on management's evaluation of the resources expended in the related activities. Management and general 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.

Income tax status: The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation has no activities which are subject to tax on unrelated business income, nor has it been classified by the Internal Revenue Service as a private foundation.

Management has evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is not subject to examination by any tax jurisdiction for years prior to June 30, 2011.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosed contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change include the valuation of investments and pledges receivable. Investments in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these assets, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the 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 pledges receivable is based on consideration of all relevant available information and an analysis of the collectability of individual contributions at the financial statement date.

Fair value measurements: The Foundation follows ASC Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

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

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable and significant to the fair value measurement.

Note 1. Organization and Significant Accounting Policies (Continued)

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All transfers between fair value hierarchy levels are recognized by the Foundation at the beginning of each reporting period.

The Foundation has certain investments which are measured at net asset value per share (NAV). If the Foundation has the ability to redeem its investment with the investee at NAV at the measurement date or within ninety days of the measurement date, the fair value of the investment is categorized as a Level 2 fair value measurement. If the Foundation will never have the ability to redeem its investment with the investee at NAV or the Foundation cannot redeem its investment within ninety days of the measurement date, the fair value of the investment is categorized as a Level 3 fair value measurement (see Note 6).

Financial assets and liabilities carried at fair value on a recurring basis include investments, and the liability for agency transfers. The Foundation has no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2015 or 2014.

Subsequent events: The Foundation has evaluated subsequent events through September 23, 2015, which is the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

Note 2. Investments

Investments in cash equivalents and securities at fair value consist of the following at June 30:

	2015	2014
Cash equivalent funds	$ 475,809	$ 877,210
Securities:		
Equity funds	47,839,412	47,610,321
Fixed income funds	37,747,017	35,962,380
	$ 86,062,238	$ 84,449,911

Investment income consists of interest and dividends earned during the years ended June 30, 2015 and 2014.

Note 3. Agency Transfers

The Foundation follows the Accounting Standards Codification (*Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*), which establishes standards for transactions in which the Foundation accepts a transfer from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. This guidance specifically requires that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself or one of its affiliated organizations as the beneficiary of that fund, the community foundation must account for the transfer of such assets and the activity associated with those assets as a liability.

The Foundation maintains variance power, as described in the governing documents of the Foundation, and legal ownership over these funds and, as such, continues to report the funds as assets of the Foundation. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. All financial activity for the years ended June 30, 2015 and 2014, related to these assets has been reclassified from the statements of activities to the liability on the statements of financial position.

Note 4. Commitments

The Foundation initially entered into an agreement for management services with Foundation Management, Inc. (FMI) on August 2, 2006 that called for the Foundation to pay FMI administrative income and 100 percent of Oklahoma Education Technology Trust (the Trust) management fee income. The agreement was subsequently amended on December 11, 2014, for a term of three years. As a result of the amendment, 100 percent of management fee income from the Trust and the City of Muskogee Foundation, Inc. (Muskogee Foundation) and 55 percent of administrative income earned by the Foundation are due to FMI. The fees expended under this agreement were $984,363 and $887,624 for the years ended June 30, 2015 and 2014, respectively.

On December 18, 2001, the Foundation entered into an agreement with the Trust to coordinate the ongoing activities of the Trust and manage the process of soliciting and evaluating grant requests for the Trust. The agreement has been renewed annually on a rolling three year basis, with provisions for earlier termination by either party. The Foundation is paid an annual fee by the Trust for services provided. The fee is calculated and charged monthly, and is based on the fair value of Trust assets. For the purpose of calculating the fee for services, a minimum fair value of Trust assets had been imputed, which resulted in a minimum fee of $180,000. Fees for services received under this agreement were $218,136 and $210,146 for the years ended June 30, 2015 and 2014, respectively.

On January 14, 2008, the Foundation entered into an agreement with Muskogee Foundation to hold, invest, manage and administer Muskogee Foundation. The term of the agreement was three years beginning with the date of funds received (August 2008), with provisions for earlier termination by either party. After the expiration date of the term of the agreement, the agreement will be automatically extended for successive one year periods. The Foundation is paid an annual fee by the Muskogee Foundation for services provided. The fee is calculated and charged monthly, and is based on the fair value of Muskogee Foundation assets.

The monthly management fee is equal to the product of .30 percent of aggregate market value of the assets. Fees for services received under this agreement were $416,601 and $398,302 for the years ended June 30, 2015 and 2014, respectively.

Note 5. Related Party Transactions

The Foundation had investments of approximately $83,477,501 and $81,777,000 at June 30, 2015 and 2014, respectively that were managed by a local bank. The Foundation also had cash and cash equivalents of approximately $3,523,000 and $5,478,000, at June 30, 2015 and 2014, respectively that were held in accounts with the same bank. Members of the Foundation’s Board of Director’s have an ownership interest and help manage the operations of this bank. The Foundation paid investment management and other fees to this bank of approximately $374,000 and $373,000 for the years ended June 30, 2015 and 2014, respectively.

Note 6. Fair Value Measurements

The following methods and assumptions were used to estimate the fair value of assets and liabilities in the financial statements.

Cash and cash equivalents: Cash and cash equivalents are stated at fair value based on quoted market prices and accordingly are classified as Level 1 in the fair value hierarchy.

Note 6. Fair Value Measurements (Continued)

Investments:

Marketable securities: All of the Foundation's marketable securities are valued by the custodian, broker, or the fund/account manager using nationally recognized third party pricing services. The Foundation gives highest priority to quoted prices in active markets for identical assets accessed at the measurement date and classifies all such assets as Level 1. The Foundation gives a Level 2 priority to valuation prices where the valuation process involves inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. The values provided by the pricing services use the market approach and/or the income approach. Observable Level 2 inputs under the market approach include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there is not sufficient activity, and/or where price quotations vary substantially either over time or among market makers, or in which little information is released publicly. Mid-market pricing or other pricing conventions may be used for fair value measurements within a bid-ask spread. Observable Level 2 inputs under the income approach include commonly quoted interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and/or default rates.

Non-marketable securities: Common trust funds are carried at fair value which is based on the NAV per share of the fund as provided by the investment manager. The Foundation classifies non-marketable securities carried at NAV as a Level 2 or Level 3 measurement depending upon the timing of the redemption provisions. If the Foundation has the ability to redeem the investment at the stated price within ninety days of the measurement date, the Foundation classifies the input as Level 2. However, if the Foundation cannot redeem the investment within ninety days of the measurement date, the Foundation considers the input as Level 3.

Contributions receivable: The asset is carried at cost net of a discount to present value using a rate which is commensurate with the risks involved on the gift date and an allowance for uncollectible accounts at the financial reporting date. Fair value is the price a market participant would pay to acquire the right to receive the cash flows inherent in the promise to pay the Foundation and due to inclusion of a discount to net present value on the gift date and allowance for uncollectible accounts the carrying value approximates fair value.

Grants payable: The carrying amount of grants and program services payable is based on the discounted value of the expected future cash distributions, which approximates fair value.

Account payable: The carrying amount approximates fair value due to the short maturity of those amounts.

Agency Transfers: The liability is carried at fair value as determined using the income approach. Fair value is based on the fair value of the cash and investment assets held by the Foundation for the benefit of the recipient agencies; however, as there is no market for similar liabilities, the key input is the future cash flow obligations to the recipients. The specific assets held have been classified within the hierarchy for investment (as discussed above). The related and associated liability are classified as Level 3 in the hierarchy as there is no market for a similar liability and principal input (i.e., fair value of future cash flows to recipients is based on the fair market value of the assets in the portfolio and management's allocation for shares in the pool) are unobservable and significant to the overall fair value measurement.

Note 6. Fair Value Measurements (Continued)

Assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

	As of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Marketable Investments:				
Cash equivalent funds	$ 475,809	$ -	$ -	$ 475,809
Equity securities:				
Mutual funds:				
Emerging markets funds	3,236,716	-	-	3,236,716
Blended funds	20,361,011	-	-	20,361,011
Growth funds	7,134,686	-	-	7,134,686
Value funds	17,009,648	-	-	17,009,648
Moderate allocation	15,885	-	-	15,885
Real estate funds	81,466	-	-	81,466
Total equity securities	47,839,412	-	-	47,839,412
Fixed income securities:				
Mutual funds:				
Corporate bond funds	99,015	-	-	99,015
Multi-sector bond funds	2,926,183	-	-	2,926,183
Blended funds	26,988	-	-	26,988
World bond funds	373,436	-	-	373,436
Government funds	713,843	-	-	713,843
Short term bond funds	3,732,267	-	-	3,732,267
Intermediate term bond funds	29,741,310	-	-	29,741,310
Total mutual funds	37,613,042	-	-	37,613,042
Government agency bonds	-	41,073	-	41,073
Mortgage backed securities	-	92,902	-	92,902
Total fixed income securities	37,613,042	133,975	-	37,747,017
Total investments at fair value	$85,928,263	$ 133,975	$ -	$86,062,238
Agency transfers	$ -	$ -	$28,971,520	$28,971,520

Note 6. Fair Value Measurements (Continued)

	As of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalent funds	$ 877,210	$ -	$ -	$ 877,210
Marketable equity securities:				
Mutual funds:				
Emerging markets funds	2,467,229	-	-	2,467,229
Blended funds	19,107,923	-	-	19,107,923
Growth funds	3,021,234	-	-	3,021,234
Value funds	12,467,992	-	-	12,467,992
Moderate allocation	15,476	-	-	15,476
Real estate funds	87,789	-	-	87,789
Total mutual funds	37,167,643	-	-	37,167,643
Non-marketable equity securities				
Common trust funds:				
Growth funds	-	3,783,232	-	3,783,232
Value funds	-	6,659,446	-	6,659,446
Total common trust funds	-	10,442,678	-	10,442,678
Total equity securities	37,167,643	10,442,678	-	47,610,321
Marketable fixed income securities:				
Mutual funds:				
Corporate bond funds	-	102,140	-	102,140
Multi-sector bond funds	2,782,102	-	-	2,782,102
Blended funds	25,166	-	-	25,166
World bond funds	362,817	-	-	362,817
Government funds	65,366	-	-	65,366
Short term bond funds	3,777,579	-	-	3,777,579
Intermediate term bond funds	26,637,296	-	-	26,637,296
Total mutual funds	33,650,326	102,140	-	33,752,466
Government agency bonds	-	197,097	-	197,097
Mortgage backed securities	-	111,527	-	111,527
Non-marketable fixed income securities:				
Strategic income common trust funds	-	1,901,291	-	1,901,291
Total fixed income securities	33,650,326	2,312,055	-	35,962,381
Total investments at fair value	$71,695,179	$12,754,733	$ -	$84,449,912
Agency transfers	$ -	$ -	$28,189,368	$28,189,368

Note 6. Fair Value Measurements (Continued)

The following is a summary of changes in agency transfers included in Level 3 of the fair value hierarchy for the years ended June 30:

	2015	2014
Balance at beginning of year	$ 28,189,368	$ 24,831,593
Transfers	3,389,074	2,022,884
Investment income	552,959	480,339
Realized investment gains	2,306,795	1,176,470
Unrealized investment gains (losses)	(2,117,803)	2,225,438
Grants and program services	(3,073,370)	(2,300,810)
Management and general expenses	(275,503)	(246,546)
Balance at end of year	$ 28,971,520	$ 28,189,368

The summary of changes in fair value of the Level 3 liability for agency transfers have been prepared to reflect the same categories as those used in the statements of activities; however, all of the activity in the liability is also included in the respective “agency transfers” amounts in the statements of activities, except for the administrative and other fees. As a result, none of the activity is being included in the Foundation’s change in net assets, except for the administrative and other fees, as all activity directly impacts the carrying value of the asset and the liability for agency transfers and does not flow through to net assets. The administrative and other fees decrease the fair value of the liability for agency transfers but increase the Foundation’s change in net assets and are reflected as administrative fee income in the statements of activities.

The Foundation’s investments in certain entities that calculate net asset value per share which are measured at fair value include the following at June 30:

	Fair Value		Redemption	Days
	2015	2014	or Liquidity	Notice
Growth funds	$ -	$ 3,783,232	Daily	One
Value funds	-	6,659,446	Daily	One
Strategic income funds	-	1,901,291	Daily	One

Common trust funds: Investments in growth funds, value funds and strategic income funds total $-0- and $12,343,969 at June 30, 2015 and 2014, respectively. These investments consist of various domestic equity and fixed income funds. The Foundation invests in these assets to achieve returns consistent with the adopted investment policies. During 2015, the Foundation liquidated it investment in the common trust funds.

The following table summarizes the valuation techniques and significant unobservable inputs used for the Foundation’s liabilities that are categorized within Level 3 of the fair value hierarchy as of June 30, 2015:

Investment Type	Fair Value at June 30, 2015	Fair Value at June 30, 2014	Valuation Techniques	Unobservable Input (b)	Range of Inputs (Weighted Average)
Liability for agency transfers	$ 28,971,520	$ 28,189,368	Income approach (c)	Discount rate (a)	0% (0%)

(a) Represents amounts used when the reporting entity has determined that market participants would take into account these returns 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) Fair value of the asset/ liability is the expected future cash inflows/ outflows which is based on the fair value of the underlying investment assets and at this time management believes no discounts to the fair values is appropriate.

Note 7. Endowment Disclosures

Board-designated endowment net asset composition by type of fund is as follows at June 30:

	Unrestricted	
	2015	2014
Board-designated endowment funds:		
Community funds	$ 4,011,970	$ 4,200,486
Designated	11,269,767	10,782,893
Field of interest	1,892,183	1,921,510
Scholarship	4,706,007	4,708,055
Undesignated	1,160,288	1,189,187
Total endowment funds	$ 23,040,215	$ 22,802,131

Changes in endowment net assets are as follows:

	2015	2014
Endowment net assets, beginning of year	$ 22,802,131	$ 19,443,733
Investment return:		
Interest and dividends	382,507	333,650
Royalty income	49,167	90,761
Net investment gains	34,418	2,928,112
	466,092	3,352,523
Contributions	1,765,592	1,070,938
Appropriations for expenditures	(1,721,239)	(816,789)
Administrative fees	(272,361)	(248,274)
Endowment net assets, end of year	$ 23,040,215	$ 22,802,131

Return objectives and risk parameters, strategies employed for achieving objectives, and spending policy and how the investment objectives relate to spending policy

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation’s spending and investment policies work together to achieve these objectives. Generally, the Foundation follows a spending policy of 6 percent of total assets calculated over eight quarters, which based on the expected rate of return is designed to ensure preservation of capital. The investment policy establishes an achievable long-term return objective through diversification of asset classes.

To achieve 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). 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.