COMMUNITY FOUNDATION OF ABILENE
Abilene, Texas

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

June 30, 2014 and 2013

COMMUNITY FOUNDATION OF ABILENE
Abilene, Texas

CONTENTS

June 30, 2014 and 2013

	Page
Independent Auditors' Report	1
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities (2014)	3
Consolidated Statements of Activities (2013)	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6

Condley AND COMPANY, LLP
Certified Public Accountants and Business Advisors

993 North Third Street
PO Box 2993
Abilene, Texas 79604-2993
phone 325-677-6251
fax 325-677-0006
www.condley.com

October 6, 2014

Board of Trustees
Community Foundation of Abilene
Abilene, Texas

Independent Auditors' Report

Report on the Financial Statements
We have audited the accompanying consolidated statement of financial position of Community Foundation of Abilene (the "Foundation") as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 reasonable basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of June 30, 2014 and 2013, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Condley and Company, L.L.P.

Certified Public Accountants

COMMUNITY FOUNDATION OF ABILENE
Abilene, Texas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2014	June 30, 2013
ASSETS		
Cash and cash equivalents	$ 2,560,540	$ 3,405,984
Contributions receivable	551,153	155,494
Investments at fair value	99,668,187	86,061,351
Cash value of life insurance	118,449	171,281
Fixed assets, at cost, net of accumulated depreciation of $72,498 and $74,307 for 2014 and 2013, respectively	39,211	37,301
Other assets	12,262	8,419
TOTAL ASSETS	$ 102,949,802	$ 89,839,830
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 2,644	$ 20,735
Grants payable	224,604	213,856
Funds held as agency endowments	17,765,881	14,586,575
Total Liabilities	17,993,129	14,821,166
NET ASSETS:		
Unrestricted	10,499,418	9,539,853
Temporarily restricted	74,457,255	65,478,811
Net Assets	84,956,673	75,018,664
TOTAL LIABILITIES AND NET ASSETS	$ 102,949,802	$ 89,839,830

The accompanying notes are an integral part of the consolidated financial statements.

COMMUNITY FOUNDATION OF ABILENE
Abilene, Texas

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Total amounts raised	$ 2,590,907	$ 2,862,677	$ 5,453,584
Less: amounts received for agency endowments		(1,317,729)	(1,317,729)
Contributions	2,590,907	1,544,948	4,135,855
Investment income	89,914	2,088,129	2,178,043
Less: investment income for agency endowments		(393,822)	(393,822)
Investment income	89,914	1,694,307	1,784,221
Total net realized/unrealized gains on investments	569,323	11,353,398	11,922,721
Less: investment gains on agency endowments		(1,975,247)	(1,975,247)
Net realized/unrealized gains on investments	569,323	9,378,151	9,947,474
Total Revenues, Gains and Other Support	**3,250,144**	**12,617,406**	**15,867,550**
GRANTS AND EXPENSES:			
Total grants and distributions	2,462,361	3,031,821	5,494,182
Less: grants and distributions made from agency endowments		(411,935)	(411,935)
Grants and distributions	2,462,361	2,619,886	5,082,247
Total investment expenses	6,213	231,776	237,989
Less: investment expenses for agency endowments		(40,055)	(40,055)
Investment expenses	6,213	191,721	197,934
Total management and general	87,859	574,213	662,072
Less: management and general for agency endowments		(55,501)	(55,501)
Management and general	87,859	518,712	606,571
Fund raising expense	42,789		42,789
Total Grants and Expenses	**2,599,222**	**3,330,319**	**5,929,541**
TRANSFERS - NET	308,643	(308,643)	0
CHANGE IN NET ASSETS	**959,565**	**8,978,444**	**9,938,009**
NET ASSETS, BEGINNING OF YEAR	9,539,853	65,478,811	75,018,664
NET ASSETS, END OF YEAR	$ 10,499,418	$ 74,457,255	$ 84,956,673

The accompanying notes are an integral part of the consolidated financial statements.

COMMUNITY FOUNDATION OF ABILENE
Abilene, Texas

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Total amounts raised	$ 2,598,590	$ 3,013,882	$ 5,612,472
Less: amounts received for agency endowments		(1,898,628)	(1,898,628)
Contributions	2,598,590	1,115,254	3,713,844
Investment income	74,791	1,754,869	1,829,660
Less: investment income for agency endowments		(322,901)	(322,901)
Investment income	74,791	1,431,968	1,506,759
Total net realized/unrealized gains on investments	357,153	7,751,615	8,108,768
Less: investment gains on agency endowments		(1,289,793)	(1,289,793)
Net realized/unrealized gains on investments	357,153	6,461,822	6,818,975
Total Revenues, Gains and Other Support	**3,030,534**	**9,009,044**	**12,039,578**
GRANTS AND EXPENSES:			
Total grants and distributions	2,620,654	2,411,584	5,032,238
Less: grants and distributions made from agency endowments		(389,202)	(389,202)
Grants and distributions	2,620,654	2,022,382	4,643,036
Total investment expenses	4,948	198,001	202,949
Less: investment expenses for agency endowments		(31,888)	(31,888)
Investment expenses	4,948	166,113	171,061
Total management and general	94,163	514,593	608,756
Less: management and general for agency endowments		(44,816)	(44,816)
Management and general	94,163	469,777	563,940
Fund raising expense	37,943		37,943
Total Grants and Expenses	**2,757,708**	**2,658,272**	**5,415,980**
TRANSFERS - NET	309,265	(309,265)	0
CHANGE IN NET ASSETS	**582,091**	**6,041,507**	**6,623,598**
NET ASSETS, BEGINNING OF YEAR	8,957,762	59,437,304	68,395,066
NET ASSETS, END OF YEAR	$ 9,539,853	$ 65,478,811	$ 75,018,664

The accompanying notes are an integral part of the consolidated financial statements.

COMMUNITY FOUNDATION OF ABILENE
Abilene, Texas

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended June 30, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 9,938,009	$ 6,623,598
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized/unrealized gains on investments	(11,922,721)	(8,108,768)
Reinvested income	(2,054,169)	(1,734,880)
Loss on disposal of assets	653	0
Depreciation	5,831	4,821
(Increase) Decrease in:		
Contributions receivable	(375,359)	2,500
Other assets	(3,843)	4,506
Increase (Decrease) in:		
Accounts payable	(18,091)	19,718
Grants payable	10,748	27,725
Funds held as agency endowments	3,179,306	3,045,417
Net Cash Used by Operating Activities	(1,239,636)	(115,363)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(8,394)	(23,642)
Purchase of investments	(30,572,258)	(23,842,946)
Proceeds from sales and maturities of investments	30,974,844	26,427,255
Net Cash Provided by Investing Activities	394,192	2,560,667
Net Increase (Decrease) in Cash and Cash Equivalents	(845,444)	2,445,304
Cash and Cash Equivalents at Beginning of Year	3,405,984	960,680
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,560,540	$ 3,405,984

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1: STATEMENT OF ORGANIZATION AND PURPOSE

The Community Foundation of Abilene (the "Foundation") was incorporated on April 29, 1985, under the laws of the State of Texas as a non-profit corporation. The purpose of the Foundation is to receive gifts, bequests and donations to be held as endowments and to distribute earnings for the betterment of Abilene and its surrounding areas.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Foundation conform with accounting principles generally accepted in the United States of America. Policies and practices which materially affect the determination of financial position are summarized as follows:

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The focus of these financial statements is to present the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes of net assets - unrestricted, temporarily restricted or permanently restricted.

> Unrestricted - All resources over which the governing board has discretionary control.
>
> Temporarily Restricted - Resources that have donor imposed restrictions that permits the Foundation to expend the assets as specified and is satisfied either by the passage of time or by actions of the Foundation.
>
> Permanently Restricted - Resources that include a donor imposed restriction that stipulates that resources be maintained permanently but permits the Foundation to use or expend part or all of the income (or other economic benefit) derived from the donated assets.

ASC 958-205, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC 958-205 also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA. The State of Texas adopted UPMIFA effective September 1, 2007.

Principles of Consolidation

The consolidated financial statements are comprised of the Community Foundation of Abilene and its supporting organization, the AVJ Foundation.

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid instruments with original maturities of three months or less. The Foundation maintains large balances of funds which are held for the benefit of others. These funds are generally held for a relatively short period of time; therefore, it is the policy of the Foundation to avoid market risk and maintain liquidity by holding cash and cash equivalents.

Investments

Investments are carried at fair value. Cash held in certain brokerage accounts is considered a short-term investment. Realized gains and losses on marketable equity securities are recorded monthly and are added to or subtracted from the applicable category of net assets. Unrealized gains and losses are recorded monthly on marketable equity securities. Unrealized gains and losses on other investments are recorded annually. Unrealized and realized gains and losses are recorded in the accompanying statements of activities as “Net realized/unrealized gains (losses) on investments”.

Fair value for investments is based on market indices for those items with a readily ascertainable fair value. Alternative investments and private equity funds are valued primarily by the respective fund managers based on the underlying investments.

Investment income is recorded monthly and added to or subtracted from the applicable category of net assets. Investment income is reported as investment income in the accompanying financial statements.

The cash value of life insurance is recorded at the balance of the cash surrender value annually.

Promises to Give

Contributions are recognized when the Foundation is notified of the contribution. Contributions that have donor-imposed restrictions are reported as increases in temporarily or permanently restricted net assets. Other contributions are reported as increases in unrestricted net assets.

Fixed Assets

Fixed assets, representing office equipment and furniture, are stated at cost, or if acquired by gift, at fair market value at the date of the gift. Depreciation of fixed assets is provided for in amounts sufficient to relate their cost to operations over their estimated useful lives (5 years) on a straight-line basis. Depreciation expense was $5,831 and $4,821 for the years ended June 30, 2014 and 2013, respectively. The Foundation’s capitalization policy is to capitalize items with a useful life in excess of two (2) years.

Income Taxes

The Foundation has been granted an exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code in an exemption letter dated October 18, 1985. The Internal Revenue Service has further determined that the Foundation is a publicly supported organization under Section 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code.

In accordance with ASC 740-10, *Accounting for Uncertainty in Income Taxes*, management has evaluated the Foundation’s tax positions and concluded that the Foundation had taken no uncertain tax positions that required adjustment to financial statements to comply with the provisions of this guidance. With a few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2011.

Contributions

The Foundation has adopted Accounting Standards Codification (ASC) 958-60, *Not-for-Profit Entities: Revenue Recognition*. ASC 958-605 requires the Foundation to record contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the nature of any restrictions made by the donor. Contributions include gifts of cash and promises to give.

Contributions of securities and property to the Foundation are recorded at fair value at the date of the gift. Restricted contributions are reported as restricted support in the period received and are then reclassified to unrestricted net assets upon satisfaction of the donor imposed restriction.

Administrative Fees

Administrative fees are assessed against the various funds according to a fee schedule set by the Board of Trustees. These fees are added to unrestricted net assets to reimburse the Foundation for the expense involved in administering the funds.

Endowment Investment and Spending Policies

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 this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The primary investment objective is to achieve an annualized total return (net of fees and expenses), though appreciation and income, equal to or greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending and administrative expenses thus, at a minimum maintaining the purchasing power of the Foundation. Assets are managed in a manner that will meet the primary investment objective, while at the same time attempting to limit volatility in the year-to-year spending. Actual returns in any given year may vary from this objective.

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). The Foundation targets a diversified asset allocation that places a greater emphasis on equity or equity-like securities, including real assets, to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundations’ various endowed funds, for grant making and administration. The current target spending amount (subject to requests for variances) for the Foundation shall be 4% of the previous sixteen quarter average of the portfolio’s market value. The formula is applied to the sixteen quarters ending each fiscal year. Accordingly, over the long term, the Foundation expects to provide a total return that provides sufficient assets to fund the Foundation’s spending policy. This is consistent with the Foundation’s objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

The Board of Trustees determined, on the advice of legal counsel, that the majority of the Foundation’s net assets meet the definition of endowment funds under UPMIFA. The Foundation is governed subject to the governing documents for the Foundation and most contributions are received subject to the terms of the governing document.

Under the terms of the governing documents, the Board of Trustees 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. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

As a result of the ability to distribute corpus, the Board of Trustees has determined that all contributions received subject to the governing document, and subject to UPMIFA, are classified as temporarily restricted until appropriated, at which time the appropriation is reclassified to unrestricted net assets. Contributions that are subject to other gift instruments may be recorded as permanently restricted, temporarily restricted or unrestricted, depending on the specific terms of the agreement. Generally, if the corpus of a contribution will at some future time become available for spending it is recorded as temporarily restricted, if the corpus never becomes available for spending it will be reported as permanently restricted. In addition, contributions that are promised to be given in a future period are presented as temporarily restricted until the payments are due.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

The Foundation has evaluated subsequent events through October 6, 2014, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

ASU 2011-04 and ASU 2013-03
In May, 2011, the FASB issued updated accounting guidance related to fair value measurements and disclosures that result in common fair value measurements and disclosures between U.S. GAAP and International Financial Reporting Standards. The guidance includes amendments that clarify the application of existing fair value measurement requirements, in addition to other amendments that change principles or requirements for measuring fair value and for disclosing information about fair value measurements. This guidance was amended with ASU 2013-03 *Financial Instruments: Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities* which clarified that the requirement to disclose the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2, or 3)" does not apply to nonpublic entities for items that are not measured at fair value in the balance sheet, but for which fair value is disclosed. These amendments were effective upon issuance.

NOTE 3: CONTRIBUTIONS RECEIVABLE

The Foundation has been named as a beneficiary of two charitable remainder unitrusts. The Foundation will receive the remainder interest or a percentage of the remainder interest upon the death of the last donor. At that time, the remainder interest is to be used to establish a designated endowment. The contributions receivable are recorded at the present value of the remainder interest as of June 30, 2014 and 2013, in the amount of $176,857 and $155,494, respectively.

The Foundation was named as the beneficiary of an estate during the year ended June 30, 2014. The estimated value of the estate was recorded as a receivable in the amount of $374,296 as of June 30, 2014.

NOTE 4: INVESTMENTS

Investments held by the Foundation in its name consist of the following at June 30,:

	2014			
		Market	Cumulative Unrealized	
	Cost	Value	Gain	Loss
Stocks	$ 546,843	$ 2,574,630	$ 2,027,787	$ 0
Government and agency securities	3,026,881	3,044,081	52,710	35,510
Municipal Obligations	1,875,012	2,027,262	152,250	0
Equity securities	9,468,142	12,686,847	3,339,782	121,077
Corporate Obligations	1,824,795	1,891,981	79,116	11,930
Mutual funds	41,760,352	50,944,045	9,292,585	108,892
Alternative	11,433,682	15,382,549	5,112,166	1,163,299
Private equity	3,896,417	5,935,767	2,039,350	0
Cash held for investments	5,181,025	5,181,025	0	0
Total	$ 79,013,149	$ 99,668,187	$ 22,095,746	$ 1,440,708

	2013			
		Market	Cumulative Unrealized	
	Cost	Value	Gain	Loss
Stocks	$ 1,180,290	$ 3,384,498	$ 2,204,208	$ 0
Government and agency securities	2,533,876	2,509,147	56,708	81,437
Municipal Obligations	1,875,684	2,027,777	155,318	3,225
Equity securities	8,637,250	10,512,476	2,111,288	236,062
Corporate obligations	2,009,583	2,045,340	51,294	15,537
Mutual funds	37,278,984	41,600,199	4,853,255	532,040
Alternative	11,106,274	13,934,303	3,845,979	1,017,950
Private equity	4,202,639	5,256,709	1,055,527	1,457
Cash held for investments	4,790,902	4,790,902	0	0
Total	$ 73,615,482	$ 86,061,351	$ 14,333,577	$ 1,887,708

Investment income is comprised of the following for the years ended June 30,:

	2014	2013
Interest income	$ 333,563	$ 325,478
Dividend income	1,844,480	1,504,182
Net realized gains on sale of investments	3,483,470	1,762,547
Net unrealized gains (losses) on securities	8,439,251	6,346,221
TOTAL	$ 14,100,764	$ 9,938,428

The Foundation held the following investments with a continuous unrealized loss position at June 30, 2014:

	Less than 12 months		12 months or longer	
	FMV	Unrealized Loss	FMV	Unrealized Loss
Government and agency securities	$ 18,042	$ 4	$ 1,278,197	$ 35,506
Equity securities	630,455	36,557	448,172	84,519
Corporate obligations	181,727	488	404,471	11,443
Mutual funds	35,902	3,164	3,156,248	105,729
Alternative	938,770	167,772	894	995,526
Total temporarily impaired securities	$ 1,804,896	$ 207,985	$ 5,287,982	$ 1,232,723

The Foundation held the following investments with a continuous unrealized loss position at June 30, 2013:

	Less than 12 months		12 months or longer	
	FMV	Unrealized Loss	FMV	Unrealized Loss
Government and agency securities	$ 1,453,791	$ 67,566	$ 4,023	$ 13,871
Municipal obligations	246,775	3,225	0	0
Equity securities	1,025,680	60,885	1,155,150	175,177
Corporate obligations	296,673	6,042	414,654	9,495
Mutual funds	3,691,696	107,166	4,984,513	424,874
Alternative	136,594	24,512	6,562	993,438
Private equity	0	0	236,043	1,457
Total temporarily impaired securities	$ 6,851,209	$ 269,396	$ 6,800,945	$ 1,618,312

Management believes the unrealized losses are temporary and are caused by general market fluctuations. Management has the intent and ability to hold the investments until recovery of market value.

The Foundation has invested in certain investments that are considered “alternative investments”. Fair market valuations are typically more difficult to ascertain and support; therefore the risk of market fluctuation can be greater for these types of investments.

NOTE 5: CASH VALUE OF LIFE INSURANCE

The Foundation is the beneficiary of insurance policies with a face value of $375,000 and $1,375,000 at June 30, 2014 and 2013, respectively. These policies are shown on the financial statements at their cash surrender value. The cash surrender value of these policies as of June 30, 2014 and 2013 was $118,449 and $171,281, respectively.

NOTE 6: GRANTS PAYABLE

The Foundation has unconditional grants payable commitments at June 30, 2014 in the amount of $224,604. At June 30, 2014, grants payable were due in future years as follows:

Year Ending June 30,		
2015	$	223,104
2016		1,500
	$	224,604

NOTE 7: NET ASSETS

Total net assets consist of the following at June 30, 2014:

		Unrestricted		Temporarily Restricted		Total
Donor designated endowment funds	$	0	$	74,457,255	$	74,457,255
Non-endowment funds:						
Undesignated		4,627,386		0		4,627,386
Supporting organization		803,850		0		803,850
Donor advised		5,068,182		0		5,068,182
Total non-endowment funds		10,499,418		0		10,499,418
Total Net Assets	$	10,499,418	$	74,457,255	$	84,956,673

Changes in endowment net assets consist of the following at June 30, 2014:

		Temporarily Restricted
Endowment net assets, beginning of year	$	65,478,811
Interest and dividends, net of investment expense		1,485,390
Net appreciation		9,378,152
Contributions		1,544,948
Amounts appropriated for expenditure		(2,619,886)
Interfund transfers		(308,643)
Administrative fees		(501,517)
Endowment net assets, end of year	$	74,457,255

As of June 30, 2014 and 2013, the market value of certain temporarily restricted endowment funds was $1,820,728 and $1,451,917, respectively, below the historical amount of endowment principal. Each endowment agreement requires that the funds be managed in accordance with the Foundation’s governing instruments. The Foundation’s governing instruments do not require the restoration of market valuation decreases below the historic principal from unrestricted net assets. Therefore no transfer from unrestricted net assets for these valuation decreases has been made.

NOTE 8: SUPPORTING ORGANIZATION

AVJ Foundation is a supporting organization of the Community Foundation of Abilene within the meaning of Section 509(a)(3) of the code. A supporting organization is defined as an organization which is organized, and at all times thereafter is operated, exclusively for the benefit of, to perform the functions of or to carry out the purposes of one or more specified publicly supported organizations. The AVJ Foundation was established through a donor contribution of stock. All the assets, liabilities, revenues, and expenses of AVJ Foundation are included in the consolidated financial statements of Community Foundation of Abilene.

The assets and activity of the AVJ Foundation included in the accompanying consolidated financial statements consists of the following as of June 30,:

	2014	2013
Managed investment account, at market	$ 803,850	$ 562,372
Total Assets	803,850	562,372
Contributions	250,000	0
Investment income	14,504	14,160
Unrealized gain on investments	69,896	65,367
Total Revenue	334,400	79,527
Grants	86,908	170,500
Management and general	6,014	5,403
Total Expense	92,922	175,903
Change in net assets	241,478	(96,376)
Beginning Unrestricted Net Assets	562,372	658,748
Ending Unrestricted Net Assets	$ 803,850	$ 562,372

NOTE 9: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Foundation in estimating the fair value of its financial instruments:

***Cash and cash equivalents*:** The carrying amount reported in the statement of financial position for cash and cash equivalents approximates its fair value.

***Contributions receivable*:** The carrying amount reported in the statement of financial position for contributions receivable approximates its fair value (see Note 10).

***Cash value of life insurance*:** The carrying amount reported in the statement of financial position for cash value of life insurance approximates its fair value (see Note 10).

***Long-term investments*:** Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities or cost (see Note 10).

***Accounts and grants payable*:** The carrying amount reported in the statement of financial position for these categories approximates its fair value.

***Funds held as agency endowments*:** The carrying amount reported in the statement of financial position for funds held as agency endowments approximates its fair value.

The carrying amounts and fair values of the Foundation's financial instruments at June 30, are as follows:

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 2,560,540	$ 2,560,540	$ 3,405,984	$ 3,405,984
Contributions receivable	551,153	551,153	155,494	155,494
Long-term investments	99,668,187	99,668,187	88,061,351	88,061,351
Cash value of life insurance	118,449	118,449	171,281	171,281
Accounts and grants payable	227,248	227,248	234,591	234,591
Funds held for others	17,765,881	17,765,881	14,586,575	14,586,575

NOTE 10: FAIR VALUE MEASUREMENTS

ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the 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). ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

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

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

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

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

For fiscal years ended June 30, 2014 and 2013, the application of valuation techniques applied to similar assets has been consistent. There were no transfers between levels during the year. The following is a description of the valuation methodologies used for instruments measure at fair value:

Cash held for investment: valued at cost which approximates fair value.

Contributions receivable: valued at the present value of the underlying securities and property to be received which approximates fair value. Unobservable inputs include real estate held, which is derived from the tax value which uses unobservable inputs and local market data.

Stocks, equity securities and fixed income: valued at the closing price reported on the active market on which the individual securities are traded. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

Mutual funds: valued at the net asset value of shares held at year end at the closing price reported on the active market.

Alternative funds and private equity: valued based on models externally developed by management of the respective instrument using unobservable inputs to the limited market activity of the partnership. Where external valuations were not available, cost is utilized which approximates fair value. The partnerships are derived from underlying unobservable inputs based on the purpose of the partnership.

Cash value of life insurance: valued based on the underwriting insurance company's valuation models, which take into account the passage of time, mortality tables, interest rates, cash values for paid-up dividends and dividend accumulations.

The table below presents the balances of assets measured at fair value as of June 30, 2014:

		Fair Value Measurements at Reporting Date Using		
Description	6/30/2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Contributions receivable	$ 551,153	$ 328,486	$ 0	$ 222,667
Stocks:				
Financial	2,574,630	2,574,630	0	0
Fixed income:				
Corporate obligations	1,891,981	0	1,891,981	0
Government and agency securities	3,044,081	0	3,044,081	0
Municipal obligations	2,027,262	0	2,027,262	0
Equity securities:				
Basic materials	2,059,172	2,059,172	0	0
Conglomerates	3,164	3,164	0	0
Consumer goods	1,729,216	1,729,216	0	0
Financial	2,338,239	2,338,239	0	0
Healthcare	1,402,796	1,402,796	0	0

Description	6/30/2014	(Level 1)	(Level 2)	(Level 3)
Equity securities: (Cont.)				
Industrials	773,924	773,924	0	0
Services	1,909,798	1,909,798	0	0
Technology	2,405,045	2,405,045	0	0
Utilities	65,493	65,493	0	0
Mutual funds:				
Large cap	4,717,903	4,717,903	0	0
Mid cap	4,235,469	4,235,469	0	0
Small cap	14,072,613	14,072,613	0	0
Emerging markets	5,738,903	5,738,903	0	0
International	12,847,456	12,847,456	0	0
Other	9,331,701	9,331,701	0	0
Alternative:				
Absolute	3,824,161	0	0	3,824,161
Directional	10,013,380	0	0	10,013,380
Other	1,545,008	4,858	0	1,540,150
Private equity:				
Buyout	958,963	0	0	958,963
Distressed	3,445,985	0	0	3,445,985
Energy	548,787	0	0	548,787
Venture capital	982,032	0	0	982,032
Cash held for investment:				
Certificate of deposit	4,461,000	4,461,000	0	0
Money market	720,025	720,025	0	0
Cash value life insurance	118,449	0	0	118,449
Total	$ 100,337,789	$ 71,719,891	$ 6,963,324	$ 21,654,574

The table below presents a reconciliation of fair value for assets using significant unobservable inputs for the year ended June 30, 2014:

	Fair Value Measurements at Reporting Date Using Significant Unobservable Inputs (Level 3)			
	Contributions receivable	Alternative funds	Private equity	Cash value life insurance
Beginning balance	$ 155,494	$ 13,934,303	$ 5,256,709	$ 171,281
Contributions pledged	45,810	0	0	0
Capital calls	0	1,793,939	925,050	0
Distributions	0	(1,939,017)	(1,231,270)	0
Policy maturity	0	0	0	(49,793)
Unrealized gains (losses) [1]	21,363	1,588,466	985,278	(3,039)
Ending balance	$ 222,667	$ 15,377,691	$ 5,935,767	$ 118,449

The table below presents the balances of assets measured at fair value as of June 30, 2013:

		Fair Value Measurements at Reporting Date Using		
Description	6/30/2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Contributions receivable	$ 155,494	$ 0	$ 0	$ 155,494
Stocks:				
Financial	3,384,498	3,384,498	0	0
Fixed income:				
Corporate obligations	2,045,340	0	2,045,340	0
Government and agency securities	2,509,147	0	2,509,147	0
Municipal obligations	2,027,777	0	2,027,777	0
Equity securities:				
Basic materials	1,565,530	1,565,530	0	0
Conglomerates	94,216	94,216	0	0
Consumer goods	1,504,307	1,504,307	0	0
Financial	2,298,306	2,298,306	0	0
Healthcare	843,436	843,436	0	0
Industrials	610,561	610,561	0	0
Services	1,426,455	1,426,455	0	0
Technology	1,936,609	1,936,609	0	0
Utilities	233,056	233,056	0	0
Mutual funds:				
Large cap	3,176,646	3,176,646	0	0
Mid cap	7,231,034	7,231,034	0	0
Small cap	8,399,688	8,399,688	0	0
Emerging markets	5,027,803	5,027,803	0	0
International	10,443,187	10,443,187	0	0
Other	7,321,841	7,321,841	0	0
Alternative:				
Absolute	3,677,697	0	0	3,677,697
Directional	9,109,117	0	0	9,109,117
Other	1,147,489	0	0	1,147,489
Private equity:				
Buyout	912,800	0	0	912,800
Distressed	3,151,227	0	0	3,151,227
Energy	602,322	0	0	602,322
Venture capital	590,360	0	0	590,360

Description	6/30/2013	(Level 1)	(Level 2)	(Level 3)
Cash held for investment:				
Certificate of deposit	3,940,000	3,940,000	0	0
Money market	850,902	850,902	0	0
Cash value life insurance	171,281	0	0	171,281
Total	$ 86,388,126	$ 60,288,075	$ 6,582,264	$ 19,517,787

The table below presents a reconciliation of fair value for assets using significant unobservable inputs for the year ended June 30, 2013:

	Fair Value Measurements at Reporting Date Using Significant Unobservable Inputs (Level 3)			
	Contributions receivable	Alternative funds	Private equity	Cash value life insurance
Beginning balance	$ 135,194	$ 13,302,979	$ 5,198,282	$ 176,435
Capital calls	0	149,856	557,825	0
Distributions	0	(717,126)	(1,004,716)	0
Unrealized gains (losses) [1]	20,300	1,198,594	505,318	(5,154)
Ending balance	$ 155,494	$ 13,934,303	$ 5,256,709	$ 171,281

[1] Unrealized gains on Level 3 investments are included in the Statements of Activities as "Net realized/unrealized gains on investments". There were no transfers to or from Level 3 investments during the years ended June 30, 2014 or 2013.

NOTE 11: COMMITMENTS AND CONCENTRATIONS

Lease Commitments

The Foundation leases office space under two agreements which expire July 31, 2015. Minimum rental payments vary during the term of the lease. The minimum lease commitments are as follows:

Years Ending June 30,	
2015	29,280
2016	2,240
Total	$ 31,520

Rental expense for the years ended June 30, 2014 and 2013, was $32,873 and $32,520, respectively.

Investment Commitments

The Foundation has commitments totaling $5,180,487 at June 30, 2014, to purchase additional capital of alternative investments and private equity investments.

Concentrations of Credit Risk – Cash

The Foundation maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. The Foundation also maintains accounts at several brokerage firms. The accounts contain cash and securities. Cash and security balances are insured up to $250,000 and $500,000, respectively, by the Securities Investor Protection Corporation with the maximum amount of insurance being $500,000 for each brokerage firm. At various times during the year, the Foundation may have balances at the financial institutions and stock brokerage firms in excess of these limits.

NOTE 12: RETIREMENT PLAN

The Foundation established a defined contribution retirement plan on January 1, 1991, for the benefit of its employees. The retirement plan is a Tax Deferred Annuity 403(b) Plan with a plan year of January 1 through December 31. An employee becomes eligible to participate upon employment and may participate by contributing, at their election, a percentage of their salary within IRS regulations. Foundation contributions to the Plan are discretionary and determined by the Board of Trustees. Employees are vested 100% in contributions. The Foundation contributed $15,636 and $15,715 for the years ended June 30, 2014 and 2013, respectively.

NOTE 13: FUNDS HELD AS AGENCY ENDOWMENTS

The Foundation adopted ASC 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This statement establishes standards for transactions in which a community foundation accepts a contribution 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. ASC 958-605 specifically requires that if a Not-for-Profit Organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with ASC 958, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

At June 30, 2014 and 2013, the Foundation was the owner of forty-eight (48) and forty-five (45) agency endowment funds, respectively, with a combined fair value of $17,765,881 and $14,586,575, respectively. All financial activity for the years then ended related to these funds is segregated on the Consolidated Statements of Activities and has been reclassified to the agency endowment liability.

The following is a progression of the liability for funds held as agency endowments as of June 30,:

	2014	2013
Beginning balance	$ 14,586,575	$ 11,541,159
Contributions	1,317,729	1,898,628
Investment income	393,822	322,901
Realized/unrealized gains	1,975,247	1,289,793
Grants and distributions	(411,935)	(389,202)
Investment expense	(40,055)	(31,888)
Management and general expense	(55,502)	(44,816)
Ending balance	$ 17,765,881	$ 14,586,575