FLINN FOUNDATION

ANNUAL REPORT

2014

PROGRAM INTERESTS

Bioscience

Expanding Arizona's capacity to become a global center for research and commercialization in the biosciences and a leader in areas such as precision medicine. The Foundation also works with state leaders and commissions tracking of metrics to implement Arizona's Bioscience Roadmap.

Flinn Scholars

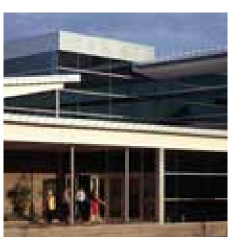
Providing undergraduate scholarship support for approximately 20 of Arizona's top high-school seniors annually, including nearly full expenses, study-abroad experiences, a professional leadership internship program, and other extracurricular learning opportunities. The program is operated by the Flinn Foundation Scholarship Program LLC in partnership with Arizona's public universities.

Arts and Culture

Broadening the capacity of Arizona's large arts-and-culture organizations to thrive in economically challenging times through increased focus on capitalization for financial and creative health.

Civic Leadership

Strengthening civic leadership at the state level through the Arizona Center for Civic Leadership and its centerpiece program, the Flinn-Brown Civic Leadership Academy. The Academy is co-sponsored by the Thomas R. Brown Foundations.



Conference Center

Convening decision-makers and generating discussion on critical issues in the Foundation's conference facilities. When not in use by the Foundation, the facilities are available to qualified nonprofit organizations at no cost.

2014 GRANT APPROPRIATIONS

Payments totaling $5,471,065 were made on 88 grants in 2014, including 34 grants awarded in prior years and 54 new grants authorized in 2014. The following list presents all grants active during 2014 – those authorized, those receiving payment, and those due additional payment from commitments made in prior years. The amount listed represents the Foundation's overall commitment (minus cancellations) to the grant. The year of the award is listed in parentheses.

BIOSCIENCES

Arizona Bioindustry Association, Chandler, $5,000
2014 SBIR & the Life Sciences: Ask the Experts conference. (2013)

Arizona Bioindustry Association, Chandler, $3,000
2014 events. (2014)

Arizona Bioindustry Association, Chandler, $10,000
2014 White Hat Investors Conference. (2014)

Arizona Commerce Authority, Phoenix, $150,000
Creation of bioscience portfolio-advisor position. (2014)

Arizona State University, Tempe, $500,000
Mayo Medical School in partnership with Arizona State University. (2012)

Arizona State University, Tempe, $1,000,000
High-throughput protein production center (replaces 2012 Arizona Biomarker Alliance grant). (2014)

Banner Alzheimer's Institute, Phoenix, $2,000,000
Alzheimer's Prevention Initiative. (2013)

Battelle, Columbus, Ohio, $382,800
Continued study and implementation of strategies to develop Arizona's bioscience sector. (2010, 2013)

Bioscience Entrepreneurship Program

Program to benefit Arizona early-stage bioscience firms through funding and program services provided through a nonprofit partner organization. (Firms are listed in parentheses.) (2014)

- Arizona State University, Tempe (EndoVantage), $30,000
- BioAccel, Phoenix (Verve Medical), $30,000
- Discovery Triangle Corporation, Phoenix (SiO2 NanoTech), $25,000
- Discovery Triangle Corporation, Phoenix (Pollen-Tech), $25,000
- Discovery Triangle Corporation, Phoenix (Photon Medical Communications), $30,000
- Discovery Triangle Corporation, Phoenix (NextPotential), $30,000

Critical Path Institute, Tucson, $225,000

Development of strategic opportunities. (2012)

Critical Path Institute, Tucson, $1,000,000

Development of Data Collaboration Center. (2014)

Greater Phoenix Chamber of Commerce, Phoenix, $10,000

Implementation of collaborative bioscience strategies. (2014)

Health Research Alliance, Research Triangle Park, North Carolina, $2,500

Membership dues. (2014)

Mayo Clinic, Scottsdale, $500,000

Mayo Medical School in partnership with Arizona State University. (2012)

Plosila Consulting, Queenstown, Maryland, $30,000

Continued study and implementation of strategies to develop Arizona's bioscience sector. (2014)

Science Foundation Arizona, Phoenix, $50,000

Program support. (2013)

Translational Genomics Research Institute, Phoenix, $97,308

Strategic-plan development. (2014)

Translational Genomics Research Institute, Phoenix, $1,500,000

Research and recruitment projects. (2014)

Translational Research in Precision Medicine Seed Grant Initiative

Research collaborations between basic scientists and clinical researchers.

(2013)

- Arizona State University, Tempe (with University of Arizona College of Medicine-Phoenix), $100,000: Design mobile personalized tool for weight management.
- Arizona State University, Tempe (with Mayo Clinic), $100,000: Assess common serum isotope in diagnosis and treatment of cancer.
- Northern Arizona University, Flagstaff (with Flagstaff Medical Center), $200,000: Design personalized cardiovascular rehabilitation programs for American Indian, Latino, and white rural populations in northern Arizona.
- University of Arizona, Tucson (with Banner Sun Health Research Institute), $200,000: Design software and biometric tool to assist maintenance of balance for dementia patients.
- University of Arizona, Tucson (with UA College of Medicine-Tucson), $200,000: Use ocean viromes to identify makeup of human respiratory virome in patients.

(2014)

- Arizona State University, Tempe (with Phoenix Children's Hospital), $100,000: Develop next-generation precision diagnostics for brain injury.
- Arizona State University, Tempe (with Mayo Clinic), $100,000: Develop peripheral blood test to identify invasive bladder cancer using standard lab equipment.
- Northern Arizona University, Flagstaff (with Flagstaff Medical Center), $200,000: Define community reservoirs of infectious agents through regional biobanking and whole-genome analysis.
- St. Joseph's Hospital and Medical Center, Phoenix (with Arizona State University), $100,000: Analyze immunosignatures for prediction of therapy response and tumor recurrence in malignant brain tumors.
- • St. Joseph's Hospital and Medical Center, Phoenix (with University of Arizona), $100,000: Investigate causitive role of bile, obesity, and the microbiome in Barrett's Esophagus and esophageal adenocarcinoma.
- Scottsdale Lincoln Healthcare, Scottsdale (with Osborn Trauma Center), $200,000: Study molecular basis of host-microbiome dysbiosis and pathogenesis in ventilator-associated pneumonia in trauma patients.

- University of Arizona, Tucson (with St. Joseph's Hospital and Medical Center), $200,000: Study functional role of vaginal microbiome in promotion of infection-associated cancer in high-risk populations.

University of Arizona, Phoenix, $500,000
Flinn Medical Innovation Visiting Scholars Program. (2011)

University of Arizona, Tucson, $45,753
Donald K. Buffmire Visiting Lectureship in Medicine. (2014)

University of Arizona, Phoenix, $85,000
Study to plan the development of an academic medical center. (2011)

FLINN SCHOLARS

Arizona State University, Tempe, $2,835,200
Scholarship awards. (2010-2014)

Arizona State University, Tempe, $115,781
Group seminar in China for Class of 2012 Flinn Scholars. (2013)

Arizona State University, Tempe, $105,000
Group seminar in China for Class of 2013 Flinn Scholars. (2014)

Flinn Foundation, Phoenix, $816,000
Flinn Scholars study-related travels. (2010-2014)

University of Arizona Foundation, Tucson, $2,145,600
Scholarship awards. (2010-2014)

ARTS AND CULTURE

Cultural Data Project Technical Support for Large Arts-and-Culture Organizations
Use of web-based data-collection tool designed to strengthen arts-and-culture organizations. (2013)

- Arizona-Sonora Desert Museum, Tucson, $2,500
- Mesa Arts Center Foundation, Mesa, $2,500
- Museum of Northern Arizona, Flagstaff, $2,500

- Musical Instrument Museum, Phoenix, $2,500
- Phoenix Art Museum, Phoenix, $2,500
- Phoenix Theatre, Phoenix, $2,500
- Phoenix Symphony, Phoenix, $2,500
- Scottsdale Cultural Council, Scottsdale, $2,500
- Tucson Museum of Art, Tucson, $2,500
- Tucson Symphony Orchestra, Tucson, $2,500

Initiative for Financial and Creative Health – Planning Grant
Projects to strengthen capitalization and programmatic capacity. (2014)

- Arizona Opera, Phoenix, $10,000
- Arizona Science Center, Phoenix, $10,000
- Arizona-Sonora Desert Museum, Tucson, $10,000
- Ballet Arizona, Phoenix, $10,000
- Children's Museum of Phoenix, Phoenix, $10,000
- Childsplay, Tempe, $10,000
- Desert Botanical Garden, Phoenix, $10,000
- Mesa Arts Center , Mesa, $10,000
- Museum of Northern Arizona, Flagstaff, $10,000
- Musical Instrument Museum, Phoenix, $10,000
- Phoenix Art Museum, Phoenix, $10,000
- Phoenix Symphony, Phoenix, $10,000
- Phoenix Theatre Company, Phoenix, $10,000
- Phoenix Zoo, Phoenix, $10,000
- Scottsdale Cultural Council, Scottsdale, $10,000
- The Heard Museum, Phoenix, $10,000
- Tucson Museum of Art, Tucson, $10,000
- Tucson Symphony Orchestra, Tucson, $10,000

Initiative for Financial and Creative Health – Deeper Planning Grant
Projects to strengthen capitalization and programmatic capacity. (2014)

- Arizona Opera, Phoenix, $25,000
- Arizona-Sonora Desert Museum, Tucson, $25,000
- Ballet Arizona, Phoenix, $25,000
- Phoenix Art Museum, Phoenix, $25,000
- Phoenix Symphony, Phoenix, $25,000

Initiative for Financial and Creative Health – Implementation Grant
Projects to strengthen capitalization and programmatic capacity. (2014)

- Childsplay, Tempe, $100,000
- Desert Botanical Garden, Phoenix, $100,000
- Mesa Arts Center , Mesa, $100,000
- Phoenix Theatre Company, Phoenix, $100,000

Participation Enhancement Grants Program for Large Arts and Culture Organizations
Strategies to expand and deepen audience and donor participation. (2013-2014)

- Arizona Opera, Phoenix, $25,000 (2014)
- Heard Museum, Phoenix, $25,000 (2014)
- Phoenix Symphony, Phoenix, $25,000 (2014)
- Phoenix Zoo, $25,000 (2013)
- Tucson Symphony Orchestra, Tucson, $25,000 (2013)

Technical Development Corp, Boston, Massachusetts, $94,825
Technical assistance on Arizona Cultural Data Project. (2013, 2014)

WolfBrown, San Francisco, California, $49,500
Technical assistance on Flinn Foundation arts and culture strategies. (2013, 2014)

PHILANTHROPIC ORGANIZATIONS AND SPECIAL PROJECTS

Arizona Grantmakers Forum, Phoenix, $7,020
Membership dues. (2014)

Arizona Grantmakers Forum, Phoenix, $8,500
Supplemental program support. (2014)

Center for the Future of Arizona, Phoenix, $30,000
Supplemental program support. (2013)

Conference of Southwest Foundations, Dallas, Texas, $3,500
Membership dues. (2014)

Valley of the Sun United Way, Phoenix, $37,175
Employee and director contributions match.

INVESTMENT AND FINANCIAL HIGHLIGHTS

The policies governing the Foundation's investment portfolio and financial operations are designed to support the long-term needs of its programs. To accomplish this, the assets are invested to produce relatively stable and predictable investment returns that will support consistent spending patterns. The Foundation has attempted to minimize the effects of market downturns on its programs by maintaining a diversified investment portfolio.

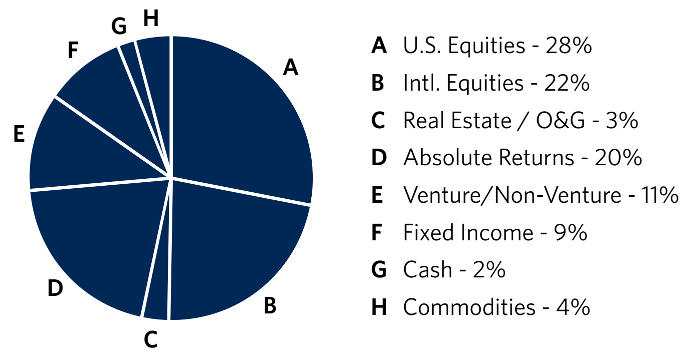
During 2014, the value of the endowment increased from $217.4 million to $220.6 million, reflecting continuing growth in global equity markets. For the year, the Foundation's investment portfolio earned a 5.0% nominal return.

The Foundation awarded $7.2 million in new grants and made cash payments of $5.5 million toward current and prior-year grant awards. Expenses for specific programs administered by the Foundation and general administrative expenses totaled $2.7 million and $1.8 million, respectively. Additional investment and operating data are available on the Foundation's website at www.flinn.org.

Please see Appendix for full financial statements.

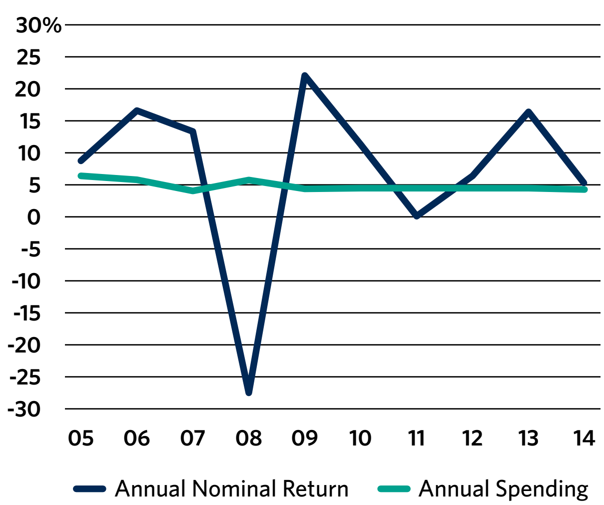
INVESTMENT PORTFOLIO

ASSET ALLOCATION AT DECEMBER 31, 2014



ANNUALIZED RETURN VS. SPENDING RATE

YEARS ENDING DECEMBER 31



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Assistant Secretary

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Operations

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Assistant Vice President,
Flinn Scholars Program

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Anna Tanori
Bioscience Program
Coordinator

Nancy Welch
Vice President,
Arizona Center for
Civic Leadership

AT DECEMBER 31, 2014

DR. ROBERT S. AND IRENE P. FLINN

Robert Stanley Flinn and his wife, Irene Pierce Flinn, established the Flinn Foundation in 1965 to formalize and expand their personal philanthropic goals. Mrs. Flinn died in 1978 at age 78; Dr. Flinn in 1984 at age 87. Through their bequests, they provided the Foundation a permanent endowment from which the derived income supports grants to Arizona nonprofit organizations. Dr. Flinn practiced internal medicine with a special emphasis in cardiology for nearly half a century in Phoenix and was known as one of Arizona's leading medical practitioners. Mrs. Flinn's personal philanthropic interests were active and widespread, and many Arizona hospitals, schools, civic organizations, and individuals benefited from her giving. The insight, compassion, and generosity of Robert and Irene Flinn touched the lives of many Arizonans. Through the Flinn Foundation, their legacy continues today.

APPENDIX

Financial Statements

Grant Thornton

Consolidated Financial Statements and Report of Independent Certified Public Accountants

The Flinn Foundation and Affiliates

December 31, 2014 and 2013

Contents

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Grant Thornton LLP
2398 E Camelback Road, Suite 600
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Board of Directors
The Flinn Foundation

We have audited the accompanying consolidated financial statements of The Flinn Foundation and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and changes in net assets, 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Flinn Foundation and Affiliates as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Phoenix, Arizona
September 8, 2015

The Flinn Foundation and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Years Ended December 31,
(Dollars in Thousands)

	2014	2013
Assets		
Cash	$ 688	$ 628
Investments	214,394	212,382
Interest, dividend, and other receivables	1,284	257
Property, furniture, and equipment, net	4,264	4,155
	$ 220,630	$ 217,422
Liabilities and net assets		
Liabilities:		
Grants payable	$ 6,707	$ 5,975
Excise tax liability – deferred	402	380
Other liabilities	974	229
	8,083	6,584
Net assets:		
Unrestricted	212,547	210,838
	212,547	210,838
	$ 220,630	$ 217,422

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

The Flinn Foundation and Affiliates

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31,
(Dollars in Thousands)

	2014	2013
Revenue and gains:		
Net realized and unrealized gain on investments	$ 8,479	$ 30,092
Dividends, interest, and other	4,352	2,837
Total unrestricted revenue and gains	12,831	32,929
Net assets released from restriction	171	179
Total unrestricted revenue and gains	13,002	33,108
Expenses:		
Program grant commitments	6,190	2,574
Direct program	2,714	2,668
General and administrative	1,764	1,678
Direct investment	481	442
Excise taxes – current	122	184
Excise taxes – deferred	22	241
Total expenses	11,293	7,787
Increase in unrestricted net assets	1,709	25,321
Changes in temporarily restricted net assets		
Contributions	171	179
Net assets released from restriction	(171)	(179)
Change in temporarily restricted net assets	–	–
Change in net assets	1,709	25,321
Net assets at beginning of year	210,838	185,517
Net assets at end of year	$ 212,547	$ 210,838

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

The Flinn Foundation and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,
(Dollars in Thousands)

	2014	2013
Operating activities		
Change in net assets	$ 1,709	$ 25,321
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	180	166
Net loss on property, furniture, and equipment	–	87
Excise tax liability – deferred	22	241
Changes in operating assets and liabilities:		
Investments	(2,012)	(22,238)
Interest, dividend, and other receivables	(1,076)	(41)
Grants payable	731	(2,871)
Excise tax liability – current	50	(100)
Other liabilities	745	76
Net cash provided by operating activities	349	641
Investing activities		
Purchases of property, furniture, and equipment	(289)	(344)
Net cash used in investing activities	(289)	(344)
Net change in cash	60	297
Cash at beginning of year	628	331
Cash at end of year	$ 688	$ 628
Supplemental disclosure of cash flow information		
Cash paid for excise tax	$ 200	$ 171
Non-cash transaction:		
Additions to investments in other liabilities at the end of the period	$ 680	$ –

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

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Flinn Foundation (the "Foundation") is a private philanthropic organization, which seeks to enhance the quality of life for the people of Arizona. The Foundation was established as a trust in 1965 by Dr. and Mrs. Robert S. Flinn of Phoenix. On January 1, 1982, the trust was reorganized as a not-for-profit corporation under the laws of the state of Arizona. Foundation grants are made in support of specific activities in the fields of health, education, and the arts, in response to requests from eligible organizations.

The Foundation has two sole-member limited liability corporations, The Flinn Foundation Educational Conference Center, LLC ("Educational Conference Center") and The Flinn Foundation Scholarship Program, LLC ("Scholarship Program"). The Educational Conference Center was established to own and operate the land and building that serve as the Foundation's headquarters and to operate an educational conference program for qualifying Arizona not-for-profit organizations. The Scholarship Program was established to be responsible for the conduct and operation of two scholarship programs for the Foundation.

Significant Accounting Policies

Basis of Presentation - The accompanying consolidated financial statements include the accounts of the Foundation, as well as wholly owned and controlled entities ("affiliates") described above as defined by generally accepted accounting principles in the United States of America. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments - Investments are carried at fair value.

Investments in publicly-traded company stocks and publicly-traded mutual funds are reported at fair value based upon quoted market prices in active markets.

Investments in privately-traded company stocks, privately-traded mutual funds, and limited partnerships are valued at amounts reported by the investment managers. The Foundation obtains and considers the audited financial statements of such investments when evaluating the overall reasonableness of carrying value. These audited financial statements indicate that the investment managers report fair value based upon quoted market prices in active markets, when available, and when not available, fair value is estimated based on net asset value.

The Foundation believes that this method provides a reasonable estimate of fair value. However, for those investments in which there is little, if any market activity, the recorded value may differ from the market value had a readily available market existed for such investments, and those differences could be material.

The Foundation records its interest in limited partnership investments using the equity method of accounting, initially recording the value of limited partnerships at cost with subsequent adjustments made for the Foundation's share of the limited partnership income or loss.

The Foundation reports investment income and expenses on the accrual basis. Realized gains and losses are calculated based on the specific-identification method for both financial statement and income tax purposes. All distributions from investments in mutual funds are recorded as dividend income. Unrealized gains and losses on investments are recorded based upon the change in the fair value of investments.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Policies (continued)

The Foundation has ownership of certain cash and cash equivalents held, along with other marketable securities, by outside investment managers for the benefit of the Foundation. Although these cash and cash equivalents are readily available, it is the intent of the Foundation to hold these cash and cash equivalents for investment purposes, and accordingly, these cash and cash equivalents are classified as investment assets in the consolidated financial statements.

***Property, Furniture, and Equipment* -** Property, furniture, and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 30 years. Depreciation begins when the assets are placed into service.

***Program Grant Commitments* -** Grants are expensed and recorded as payable in the year the grants are approved by the Foundation's Board of Directors. Grants that are expected to be paid in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using a risk-free interest rate. Amortization of the discounts is included in program grant commitment expense.

***Direct Program Expenses* -** Direct program expenses represent costs of the Foundation's administration of programs and charitable projects performed at the direction of the Board of Directors. Direct program expenses include salaries, benefits, consulting fees, and other costs. Direct program expenses are reported in the period incurred.

***Contributions* –** During 2014, the Foundation received an additional pledge of $171 from the unaffiliated foundation. During 2013, the Foundation received a pledge of $179 from an unaffiliated foundation as a contribution for a Flinn Foundation sponsored program. As of December 31, 2014 and 2013, contributions receivable totaled $55 and $93, respectively.

***Income and Excise Taxes* -** The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not subject to federal income taxes, except for income from unrelated business activities.

Accounting Standards Codification ("ASC") Topic 740, *Accounting for Income Taxes*, addresses how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. The guidance requires the accounting and disclosure of tax positions taken, or expected to be taken, in the course of preparing the Foundation's tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Management of the Foundation is required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which include federal and certain states. The Foundation has had no examinations in progress and none are expected at this time. As of December 31, 2014 and 2013, management of the Foundation has reviewed all open tax years and major jurisdictions and concluded there is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken, or expected to be taken, in future tax returns.

The Foundation is classified as a private foundation and is subject to a federal excise tax of 2% on net investment income received, which principally includes income from investments plus net realized capital gains. Net capital losses, however, are not deductible. Under certain circumstances, the Foundation may qualify for a 1% excise tax rate. An annual determination is made by the Foundation as to whether a 1% or 2% rate is applicable in each year.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Policies (continued)

The Foundation accrues for excise taxes under the liability method. Under the liability method, deferred excise taxes are based on net unrealized gains on investments and will be due in future periods as the gains are realized. The Foundation applied a 1% tax rate for excise taxes due in 2014 and a 1.5% tax rate for the deferred excise taxes.

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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 – INVESTMENTS

The primary objective in investing the Foundation's financial assets is to provide a reasonably stable and predictable stream of earnings to support charitable programs and the operations of the Foundation, and to preserve and enhance over time the real (inflation adjusted) value of the Foundation's investments. In accordance with the Foundation's investment policies and procedures, the Foundation diversifies its investments among various financial instruments and asset categories, and uses multiple investment strategies. Investment managers under contract with the Foundation have complete discretion in the management of assets entrusted to them subject to the guidelines set forth in the Foundation's investment guidelines and prudent investment standards.

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of money market investments and fixed income securities. Money market accounts are not insured by the Federal Deposit Insurance Corporation. The Foundation's fixed income securities in corporate and government bonds are exposed to issuer credit risk until these securities are sold or mature.

The Foundation does not invest directly in financial derivative instruments, such as options, futures, and forwards contracts. However, some investment managers retained by the Foundation may engage in the use of derivative instruments as part of their investment strategy. To minimize the risk of loss associated with trading derivative instruments, the Foundation requires investment managers to employ strategies consistent with prudent investment management.

(Dollars in Thousands)

NOTE 2 – INVESTMENTS (continued)

The table below summarizes the Foundation's diversified asset allocation among outside managers.

	December 31, 2014		December 31, 2013	
	Cost	Carrying Value	Cost	Carrying Value
Equities				
U.S. large capitalization firms	$ 33,500	$ 52,062	$ 33,500	$ 49,209
U.S. small/mid capitalization firms	6,486	8,553	6,076	8,519
Non-U.S. equities – developed markets	19,883	31,340	17,383	31,346
Non-U.S. equities – emerging markets	10,723	15,745	10,723	15,043
Real estate	1,520	1,289	3,752	844
Alternative assets (primarily venture capital, private equity, and hedge funds)	62,810	69,278	58,732	63,321
Oil and gas partnership	7,016	5,621	6,727	10,432
Commodities	12,184	9,396	11,964	11,284
Debt securities				
U.S. fixed-income securities	13,551	13,984	12,051	12,237
Non-U.S. fixed-income securities	3,322	4,418	4,076	5,438
Money market investments	2,708	2,708	4,709	4,709
	$ 173,703	$ 214,394	$ 169,693	$ 212,382

The Foundation's assets in alternative assets, oil and gas partnerships, and real estate include lockup periods, which limit the Foundation's ability to sell its ownership interest in these investments for periods in excess of one year. At December 31, 2014 and 2013, the fair value of investments with lockup periods in excess of one year totaled $32,279 and $32,457, respectively.

NOTE 3 – PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture, and equipment consists of the following at December 31:

	2014	2013
Land and improvements	$ 1,794	$ 1,794
Building	3,984	3,938
Furniture and equipment	923	680
Other	80	80
	6,781	6,492
Less accumulated depreciation	2,517	2,337
	$ 4,264	$ 4,155

(Dollars in Thousands)

NOTE 4 – GRANTS PAYABLE

At December 31, 2014, grants payable in future years are as follows:

2015	$ 3,839
2016	1,999
2017	790
2018	250
2019	-
	6,878
Less discount to present value using an interest rate of 3.04%	171
	$ 6,707

NOTE 5 – EMPLOYEE BENEFIT PLANS

The Foundation sponsors two defined contribution employee retirement plans in accordance with the Internal Revenue Code Sections 403(b) and 457(b) for those employees eligible under the provisions of the respective plans. The Foundation's contributions to these plans totaled approximately $243 and $220 for the years ended December 31, 2014 and 2013, respectively.

NOTE 6 – FAIR VALUE MEASUREMENT

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. ASC Topic 820, *Fair Value Measurement and Disclosures*, establishes a fair value disclosure framework which prioritizes and ranks the level of observable inputs used in measuring investments at fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements.) The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs based on quoted prices of identical assets or liabilities in an active market that the Foundation can access. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market usually provides the most reliable evidence of fair value and is generally used without adjustment, if available.

- Level 2 – Inputs that are observable either directly or indirectly but are not Level 1 inputs. Level 2 inputs include quoted prices for similar instruments, broker quotes, or observable inputs that directly impact value such as interest rates, prepayment spreads, and credit risk. Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, and fair value is determined through the use of models or other valuation methodologies. For investments in funds where there is an ability to redeem such investments at the net asset value per share (or its equivalent) at the measurement date or in the near term, the fair value of the investment is generally categorized as Level 2.

NOTE 6 – FAIR VALUE MEASUREMENT (continued)

- Level 3 – Pricing inputs are unobservable. Level 3 inputs are generally used in situations where there is little, if any, market activity for the investment. These inputs into the determination of fair value require significant management judgment or estimation, including but not limited to private and public comparables, third-party appraisals, discounted cash flow models, and fund manager estimates. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed. Investments that are included in this category generally include private fund investment structures and limited partnership interests, where there is limited or no ability to redeem such investments at net asset value per share (or its equivalent) at the measurement date or in the near term.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. Where more than one technique is noted, individual assets or liabilities were valued using one or more of the noted techniques. The valuation techniques are as follows:

(a) *Market approach*. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

(b) *Cost approach*. Amount that would be required to replace the service capacity of an asset (replacement cost).

(c) *Income approach*. Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess earnings models).

It is required that when observable market data is available, it be used in determining the fair value measurement. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized based on the lowest level input that is significant to the fair value measurement.

(Dollars in Thousands)

NOTE 6 – FAIR VALUE MEASUREMENT (continued)

The following table presents the fair value hierarchy for those financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2014.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique (a,b,c)
Financial assets					
Investments:					
Mutual funds – publicly traded:					
Money market	$ 2,708	$ 2,708	$ -	$ -	a
Equities	4,667	4,667	-	-	a
Fixed income	13,984	13,984	-	-	a
Mutual funds – privately traded:					
Commodities	4,729	-	4,729	-	a
Hedge funds	27,808	-	-	27,808	c
Company stocks – publicly traded	4,038	4,038	-	-	a
Company stocks – privately traded	500	-	-	500	a
Limited partnerships:					
Equities	103,662	-	103,662	-	a
Fixed income	4,418	-	4,418	-	a
Hedge funds	15,756	-	-	15,756	c
Venture/private equity	25,214	-	-	25,214	c
Oil and gas	5,601	-	-	5,601	c
Real Estate	1,289	-	-	1,289	c
Royalty interest – oil and gas	20	-	-	20	c
Total investments	$ 214,394	$ 25,397	$ 112,809	$ 76,188	

For year ending December 31, 2014, there were no transfers between Level 1, Level 2, and Level 3 assets. As noted in the Level 2 fair value definition provided at the beginning of Note 6, Level 2 assets include certain limited partnership interests with asset valuations based on Level 1 and/or Level 2 observable inputs. Level 2 assets totaling $91,987 consist of limited partnership interests in which the underlying assets are primarily marketable debt and equity securities that trade on nationally recognized exchanges.

(Dollars in Thousands)

NOTE 6 – FAIR VALUE MEASUREMENT (continued)

The following table presents the fair value hierarchy for those financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2013.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique (a,b,c)
Financial assets					
Investments:					
Mutual funds – publicly traded:					
Money market	$ 4,709	$ 4,709	$ -	$ -	a
Equities	5,545	5,545	-	-	a
Fixed income	12,237	12,237	-	-	a
Mutual funds – privately traded:					
Commodities	5,739	-	5,739	-	a
Hedge funds	26,990	-	-	26,990	c
Company stocks – publicly traded	3,454	3,454	-	-	a
Company stocks – privately traded	697	-	-	697	a
Limited partnerships:					
Equities	100,663	-	100,663	-	a
Fixed income	5,438	-	5,438	-	a
Hedge funds	15,419	-	-	15,419	c
Venture/private equity	20,412	-	-	20,412	c
Oil and gas	10,431	-	-	10,431	c
Real Estate	647	-	-	647	c
Royalty interest – oil and gas	1	-	-	1	c
Total investments	$ 212,382	$ 25,945	$ 111,840	$ 74,597	

For year ending December 31, 2013, there were no transfers between Level 1, Level 2, and Level 3 assets. As noted in the Level 2 fair value definition provided at the beginning of Note 6, Level 2 assets include certain limited partnership interests with asset valuations based on Level 1 and/or Level 2 observable inputs. Level 2 assets totaling $97,005 consist of limited partnership interests in which the underlying assets are primarily marketable debt and equity securities that trade on nationally recognized exchanges.

The Foundation values substantially all of its Level 2 and Level 3 investments at amounts reported by the investment managers and as validated through consideration of the audited financial statements of such investments. Accordingly, the Foundation does not use separate quantitative information to value such investments.

(Dollars in Thousands)

NOTE 6 – FAIR VALUE MEASUREMENT (continued)

The changes in investments measured at fair value for which the Foundation's investment managers have used Level 3 inputs to determine fair value are as follows:

Financial Assets	Fair Value January 1 2014	Distributions	Purchases	Sales	Realized and Unrealized Gains (Losses)	Fair Value December 31 2014	Unrealized Gains (Losses) for Investments Held at December 31 2014
Investments:							
MF – hedge fund	$ 26,990	$ -	$ -	$ -	$ 818	$ 27,808	$ 818
CS – private	697	-	-	(3,000)	2,803	500	2,802
LP – hedge fund	15,419	(304)	-	-	641	15,756	337
LP – VC/PE	20,412	(4,808)	5,206	(1,127)	5,831	25,214	724
LP – oil and gas	10,431	(1,721)	396	(108)	(3,397)	5,601	(5,118)
LP – real estate	647	(422)	769	-	295	1,289	(126)
Royalty interest	1	-	-	-	19	20	19
Total financial assets	$ 74,597	$ (7,255)	$ 6,371	$ (4,235)	$ 6,710	$ 76,188	$ (544)

Financial Assets	Fair Value January 1 2013	Distributions	Purchases	Sales	Realized and Unrealized Gains (Losses)	Fair Value December 31 2013	Unrealized Gains (Losses) for Investments Held at December 31 2013
Investments:							
MF – hedge fund	$ 23,112	$ -	$ -	$ -	$ 3,878	$ 26,990	$ 3,878
CS – private	1,475	-	500	-	(1,278)	697	(1,277)
LP – hedge fund	14,318	(248)	-	-	1,349	15,419	1,101
LP – VC/PE	18,381	(3,806)	2,291	(5,056)	8,602	20,412	4,796
LP – oil and gas	9,392	(1,301)	570	(162)	1,932	10,431	631
LP – real estate	238	(421)	590	(21)	261	647	(160)
Royalty interest	3	-	-	-	(2)	1	(2)
Total financial assets	$ 66,919	$ (5,776)	$ 3,951	$ (5,239)	$ 14,742	$ 74,597	$ 8,967

(Dollars in Thousands)

NOTE 6 – FAIR VALUE MEASUREMENT (continued)

The following tables present information regarding funds with a fair value that is determined using net asset value (or its equivalent) provided by the funds as of December 31, 2014.

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Financial assets				
Investments:				
Mutual funds – privately traded:				
Commodities (a)	$ 4,729	$ -	Monthly	7 days
Hedge funds (b)	27,808	-	Year-end	90 days
Company stocks – privately traded (c)	500	-	Not eligible	N/A
Limited partnerships:				
Equities (d)	103,662	-	Monthly, quarterly	5-60 days
Fixed income (e)	4,418	-	Daily	7 days
Hedge funds (f)	15,756	-	Quarterly, year-end (f)	45-90 days
Venture/private equity (g)	25,214	14,337	Not eligible	N/A
Oil and gas (h)	5,601	423	Not eligible	N/A
Real estate(i)	1,289	2,022	Not eligible	N/A
Royalty interest – oil and gas (j)	20	-	Not eligible	N/A
Total investments	$ 188,997	$ 16,782		

a) The sole investment in this class is an equity investment in a privately traded mutual fund that invests in U.S. Treasury securities, commodity futures and swap contracts, and currency futures. The fair values of the investments have been estimated using asset value per share of the investments.

b) The sole investment in this class is an equity investment in a privately traded, mutual fund that invests in numerous underlying limited partnerships employing various diversified, global, hedge-fund strategies, including long/short, event and multi-strategy, and distressed credit. The fair values of the investments have been estimated using net asset value per share of the investments.

c) The sole investment in this class is a privately traded, equity investment in a corporation with an underlying limited partnership interest in a partnership that invests in a geographically diversified portfolio of numerous income-producing properties, principally industrial, office, and residential properties. The fair values of the investments have been estimated using net asset value per share of the investments. Investments in this class are required to be held until maturity.

d) This class includes investments in U.S., Non-U.S. developed, and emerging market equities that are publicly traded on various major stock exchanges. The Foundation achieved this broad diversification through investments in seven private partnerships, in which the Foundation is a limited partner. The fair values of the investments have been estimated using net asset value per share of the investments.

NOTE 6 – FAIR VALUE MEASUREMENT (continued)

e) The sole investment in this class is a limited partnership interest in a partnership that invests globally, primarily in a diversified portfolio of bonds and notes of numerous countries. The fair values of the investments have been estimated using net asset value per share of the investments.

f) This class includes hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge fund composite portfolio for this class comprises three limited-partnerships investing in long/short, event and multi-strategy, and distressed credit. The fair values of the investments have been estimated using net asset value per share of the investments. A limited-partnership interest totaling $963 representing approximately 6% of the value of the Foundation's investment in this class, is not eligible for redemption because the partnership restrictions do not allow redemptions until certain underlying assets of the partnership are liquidated.

g) This class includes venture capital and private equity, global investment in equity and credit of private companies through the Foundation's investments in 18 limited partnerships, with each investing in numerous private companies, reducing risk through broad diversification. The fair values of the investments have been estimated using net asset value per share of the investments. The Foundation has subscribed to purchase an additional $14,337 over a time period of approximately the next five to seven years. Investments in this class are required to be held until maturity.

h) This class includes oil and gas investments through four limited partnerships. The fair values of the investments have been estimated using net asset value per share of the investments. The Foundation has subscribed to purchase an additional $423 over a time period of approximately the next five to seven years. Investments in this class are required to be held until maturity.

i) The sole investment in this class is a limited partnership that invests primarily in office, hospitality, and multi-family real estate properties, primarily in the United States and Western Europe. The fair value of the investment has been estimated using net asset value per share. The Foundation has subscribed to purchase an additional $2,022 over a time period of approximately the next two to four years. Investments in this class are required to be held to maturity.

j) The sole investment in this class is a royalty interest in oil and gas properties. The fair values of the investments have been estimated using net asset value per share of the investments. Investments in this class are required to be held until maturity.

NOTE 7 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through September 8, 2015, the date the consolidated financial statements were available to be issued.

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