



# LEICHTAG FOUNDATION

## Financial Statements

*Years Ended December 31, 2011 and 2010*



**LEICHTAG FOUNDATION**  
**Financial Statements**  
Years Ended December 31, 2011 and 2010

---

**Table of Contents**

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5



AKT®

CPAS AND BUSINESS CONSULTANTS

Personal. Local. Global.

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Leichtag Foundation  
Carlsbad, California

We have audited the accompanying statements of financial position of Leichtag Foundation as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Leichtag Foundation's management. Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Leichtag Foundation as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**AKT LLP**

Carlsbad, California  
June 6, 2012

AKT LLP, CPAs and Business Consultants | CARLSBAD | 5946 Priestly Drive, Suite 200 Carlsbad, CA 92008  
Phone: 760.431.8440 Fax: 760.431.9052

**LEICHTAG FOUNDATION**  
**Statements of Financial Position**  
December 31, 2011 and 2010

---

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 4,700,085	\$ 5,975,372
Investments	131,770,972	124,553,354
Prepaid expenses	<u>10,851</u>	<u>-</u>
Total Current Assets	136,481,908	130,528,726
Property and Equipment, net	<u>4,370,348</u>	<u>-</u>
Total Assets	<u>\$ 140,852,256</u>	<u>\$ 130,528,726</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 7,851	\$ 1,920
Current portion of grants payable	8,565,080	6,295,806
Accrued expenses	<u>16,881</u>	<u>14,353</u>
Total Current Liabilities	8,589,812	6,312,079
Grants payable, net of current portion	<u>18,381,644</u>	<u>20,196,929</u>
Total Liabilities	26,971,456	26,509,008
Unrestricted Net Assets	<u>113,880,800</u>	<u>104,019,718</u>
Total Liabilities and Net Assets	<u>\$ 140,852,256</u>	<u>\$ 130,528,726</u>

**LEICHTAG FOUNDATION****Statements of Activities**

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted Revenue:		
Contribution	\$ 24,462,800	\$ 101,505,050
In-kind contributions	121,559	117,346
Interest and dividends	3,776,772	2,866,421
Realized and unrealized gains (losses), net	<u>(5,782,315)</u>	<u>1,913,780</u>
Total Unrestricted Revenue	22,578,816	106,402,597
Expenses:		
Program services:		
Contributions	10,902,181	12,806,487
Supporting services - general and administrative:		
Administrative fees	720,211	472,500
Salaries	371,250	180,562
Consulting	175,212	86,021
Rent	121,559	117,346
Taxes	91,405	6,885
Other	83,348	29,365
Travel	75,400	34,354
Property management	50,644	-
Director fees	44,000	40,000
Legal	28,633	10,495
Accounting	23,147	22,775
Dues and seminars	16,092	8,734
Depreciation	<u>14,652</u>	<u>-</u>
Total Expenses	<u>12,717,734</u>	<u>13,815,524</u>
Increase in Unrestricted Net Assets	9,861,082	92,587,073
Unrestricted Net Assets, beginning	<u>104,019,718</u>	<u>11,432,645</u>
Unrestricted Net Assets, ending	<u>\$ 113,880,800</u>	<u>\$ 104,019,718</u>

**LEICHTAG FOUNDATION****Statements of Cash Flows**

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Increase in unrestricted net assets	\$ 9,861,082	\$ 92,587,073
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided (used) by operating activities:		
Net realized and unrealized (gains) losses on investments	5,782,315	(1,913,780)
Depreciation	50,644	-
Donated property and equipment	(4,385,000)	-
Changes in operating assets and liabilities:		
Prepaid expenses	(10,851)	12,869
Accounts payable	5,931	(12,247)
Grants payable	453,989	3,091,424
Accrued expenses	2,528	-
	<u>11,760,638</u>	<u>93,765,339</u>
Net Cash Provided by Operating Activities	11,760,638	93,765,339
Cash Flows from Investing Activities:		
Purchases of investments	(30,317,321)	(104,890,379)
Proceeds on sales of investments	<u>17,317,388</u>	<u>13,700,000</u>
	<u>(12,999,933)</u>	<u>(91,190,379)</u>
Net Cash Used by Investing Activities:	(12,999,933)	(91,190,379)
Net Increase (Decrease) in Cash	(1,239,295)	2,574,960
Cash, beginning	<u>5,975,372</u>	<u>3,400,412</u>
Cash, ending	<u>\$ 4,736,077</u>	<u>\$ 5,975,372</u>

See accompanying notes to financial statements.

**LEICHTAG FOUNDATION**  
**Notes to Financial Statements**

Years Ended December 31, 2011 and 2010

---

**Note 1 – Organization and Summary of Significant Accounting Policies**

Nature of Activities

The Leichtag Foundation (Foundation) is a tax exempt foundation created to alleviate human hardship, advance self sufficiency and promote tolerance and understanding.

Use of Estimates

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

Investments

The Foundation carries investments in marketable securities at their fair values in the statements of financial position. The fair value is determined using quoted market prices. Alternative investments, for which quoted market prices are not available, are valued at fair value by the general partner of the partnership based on factors deemed relevant by the general partner including, but not limited to, market conditions, purchase price, estimated liquidation value, restrictions on transfer and meaningful third party transactions in the private market. The fair values are reported by the Foundation in good faith. Realized and unrealized gains and losses are included in the changes in net assets in the statements of activities.

Property and Equipment

The Foundation capitalizes all expenditures for property and equipment in excess of \$1,000. Equipment and improvements are recorded at cost or at estimated fair value at date of gift if donated. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets of five to 27.5 years.

Grants Payable

Unconditional grants payable are recorded at their net present value at the date the grant is made. Grants payable that are due within one year are recorded at face value. The present value of future cash flows is calculated using a discount rate commensurate with the risks involved. The Foundation has not elected to subsequently measure grants payable at fair value under the financial instruments standard of reporting.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from California franchise and income tax under section 23701(d) of the Revenue and Taxation code. The Foundation is subject to federal excise tax.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

The Foundation had no permanently or temporarily restricted net assets for the years ended December 31, 2011 and 2010.

**LEICHTAG FOUNDATION**  
**Notes to Financial Statements**

Years Ended December 31, 2011 and 2010

---

**Note 1 – Organization and Summary of Significant Accounting Policies, continued**

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Materials, Equipment and Services

Donated materials and equipment, with significant determinable values, are reflected as contributions in the accompanying financial statements at their estimated fair values at date of receipt. Such items are capitalized or charged to operations as appropriate.

The Foundation receives donated services from unpaid volunteers who assist in general and administrative and program services. No amounts have been recognized in the statements of activities for these services, because the criteria for recognition as contributions of such volunteer effort have not been satisfied.

The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed.

Fair Value Measurements

The Foundation defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Foundation applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying value of cash, receivables, and payables approximates fair value as of December 31, 2011 and 2010, due to the relative short maturities of these instruments.

Subsequent Events

The Foundation has evaluated subsequent events through June 6, 2012, which is the date the financial statements were available to be issued.

**Note 2 – Concentration of Credit Risk**

The Foundation maintains cash in deposit accounts that, at times, may exceed federally insure limits. The Foundation manages the risk by using only high quality financial institutions. The Foundation has not experienced any losses in its bank deposit accounts and believes it is not exposed to any significant credit risk on cash.



**LEICHTAG FOUNDATION**  
**Notes to Financial Statements**  
Years Ended December 31, 2011 and 2010

**Note 3 – Investments**

The fair market value of investments is categorized as follows for the year ended December 31, 2011:

Description	Level 1	Level 2	Level 3	Total
Equity securities:				
Large cap - international	6,329,295	-	-	6,329,295
Mutual funds:				
Fixed income - domestic	33,977,201	-	-	33,977,201
Large cap - domestic	29,448,399	-	-	29,448,399
Large cap - international	33,000,746	-	-	33,000,746
Mid cap - domestic	8,614,955	-	-	8,614,955
Mid cap - international	4,347,440	-	-	4,347,440
Commodities	6,385,728	-	-	6,385,728
Alternative investments:				
Private equity funds	-	-	1,977,424	1,977,424
Hedge fund of funds	-	-	7,689,784	7,689,784
	<u>\$ 122,103,764</u>	<u>\$ -</u>	<u>\$ 9,667,208</u>	<u>\$ 131,770,972</u>

The fair market value of investments is categorized as follows for the year ended December 31, 2010:

Description	Level 1	Level 2	Level 3	Total
Equity securities:				
Large cap - international	6,202,071	-	-	6,202,071
Mutual funds:				
Fixed income - domestic	30,539,257	-	-	30,539,257
Large cap - domestic	29,001,197	-	-	29,001,197
Large cap - international	35,696,458	-	-	35,696,458
Mid cap - domestic	8,680,904	-	-	8,680,904
Mid cap - international	6,340,690	-	-	6,340,690
Alternative investments:				
Hedge fund of funds	-	-	8,092,776	8,092,776
	<u>\$ 116,460,577</u>	<u>\$ -</u>	<u>\$ 8,092,776</u>	<u>\$ 124,553,353</u>

**LEICHTAG FOUNDATION**  
**Notes to Financial Statements**  
Years Ended December 31, 2011 and 2010

---

**Note 3 – Investments, continued**

Changes in the fair value of level 3 investments for the year ended December 31, 2011 are as follows:

	Private equity funds	Hedge fund of funds	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fair value, beginning	\$ -	\$ 8,092,776	\$ 8,092,776
Purchases	1,450,000	-	1,450,000
Investment gains (losses)	551,118	(402,992)	148,126
Investment expenses	<u>(23,694)</u>	<u>-</u>	<u>(23,694)</u>
Fair value, ending	<u>\$ 1,977,424</u>	<u>\$ 7,689,784</u>	<u>\$ 9,667,208</u>

Changes in the fair value of level 3 investments for the year ended December 31, 2010 are as follows:

Fair value, beginning	\$ 2,420,942
Purchases	5,500,000
Investment gains	<u>171,834</u>
Fair value, ending	<u>\$ 8,092,776</u>

Commitments and redemption schedules for those investments valued based on net asset value are as follows for the year ended December 31, 2011:

<u>Description</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Private equity funds [a]	1,977,424	550,000	n/a	n/a
Hedge fund of funds [b]	7,689,784	none	quarterly	90 days

[a] Private equity funds are investment in funds organized as limited partnerships which invest in media companies, mezzanine capital, secondaries, and buyouts.

[b] The hedge fund of funds employ a variety fo strategies including absolute return, diversified arbitrage, investment in distress strategies, and various long/short strategies.

Commitments and redemption schedules for those investments valued based on net asset value are as follows for the year ended December 31, 2010:

<u>Description</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Hedge fund of funds [a]	8,092,776	none	quarterly	90 days

[a] The hedge fund of funds employ a variety fo strategies including absolute return, diversified arbitrage, investment in distress strategies, and various long/short strategies.

**LEICHTAG FOUNDATION**  
**Notes to Financial Statements**  
Years Ended December 31, 2011 and 2010

---

**Note 4 – Property and Equipment**

Property and equipment consists of three condominiums and a commercial building valued at \$4,385,000, net of accumulated depreciation of \$14,652.

**Note 5 – Grants Payable**

The Foundation makes grants to recipient organizations whose mission is similar to that of the Foundation in the support of alleviating human hardship, advancing self sufficiency and promoting tolerance and understanding.

Future minimum grant obligations are as follows:

Year ending December 31,	
2011	\$ 8,565,080
2012	5,691,479
2013	4,231,666
2014	3,515,000
2015	3,490,000
Thereafter	<u>10,765,000</u>
	36,258,225
Less: Discount on grants payable	<u>(9,311,501)</u>
	<u>\$ 26,946,724</u>

**Note 5 – Federal Excise Tax**

The Foundation is subject to federal excise tax imposed on private foundations at 2%, or at 1% if certain conditions are met. The excise tax is imposed on net investment income, as defined under federal law, which includes realized gains on the sale of investments. Federal excise tax expense consists of the current provision on realized net investment income.

**Note 6 – Related Party Transactions**

In December 2009, the Leichtag Survivor's Trust moved its operating offices. As a result of the move and increased operation, the Foundation took occupancy of a majority of the leased spaced. During the years ended December 31, 2011 and 2010, the Foundation received support through reimbursed operating costs totaling approximately \$117,500 and \$3,000 from the Leichtag Survivor's Trust, respectively. The operating costs have been recorded in their natural category of expenses and in-kind contributions in the statements of activities.

During the year ended December 31, 2011, the Foundation received a contribution of \$24,462,800 from the Leichtag Survivor's Trust. During the year ended December 31, 2010, the Foundation received a contribution of \$101,505,050 from the Leichtag Survivor's Trust.

**Note 7 – Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**LEICHTAG FOUNDATION**  
**Notes to Financial Statements**

Years Ended December 31, 2011 and 2010

---

**Note 8 – Subsequent Events**

On March 13, 2012, the Foundation entered into an option agreement to purchase 67.5 acres land. The Foundation has placed \$200,000 into an escrow account to hold the option while due diligence is being performed into the purchase of the land. If the option is exercised and the land is purchased, \$150,000 will be applied towards the purchase price.

**Note 9 – Reclassifications**

Certain items in the 2010 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported change in net assets.