

# **THE LEICHTAG FAMILY FOUNDATION**

Financial Statements

Years Ended December 31, 2010 and 2009

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Leichtag Family Foundation  
Carlsbad, California

We have audited the accompanying statements of financial position of The Leichtag Family Foundation as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of The Leichtag Family 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 The Leichtag Family Foundation as of December 31, 2010 and 2009, 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  
April 6, 2011

**THE LEICHTAG FAMILY FOUNDATION****Statements of Financial Position**

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 5,975,372	\$ 3,400,412
Investments	124,553,354	31,449,195
Prepaid expenses	<u>-</u>	<u>12,869</u>
Total Assets	<u>\$ 130,528,726</u>	<u>\$ 34,862,476</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 1,920	\$ 14,167
Current portion of grants payable	6,295,806	4,703,733
Accrued expenses	<u>14,353</u>	<u>14,353</u>
Total Current Liabilities	6,312,079	4,732,253
Grants payable, net of current portion	<u>20,196,929</u>	<u>18,697,578</u>
Total Liabilities	26,509,008	23,429,831
Unrestricted Net Assets	<u>104,019,718</u>	<u>11,432,645</u>
Total Liabilities and Net Assets	<u>\$ 130,528,726</u>	<u>\$ 34,862,476</u>

# THE LEICHTAG FAMILY FOUNDATION

## Statements of Activities

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Unrestricted Revenue:		
Contribution	\$ 101,505,050	\$ -
In-kind contributions	117,346	2,919
Interest and dividends	2,866,421	933,064
Realized and unrealized gains, net	<u>1,913,780</u>	<u>7,331,717</u>
Total Unrestricted Revenue	106,402,597	8,267,700
Expenses:		
Program services:		
Contributions	12,806,487	18,566,189
Supporting services - general and administrative:		
Administrative fees	472,500	170,004
Salaries	180,562	179,476
Rent	117,346	2,919
Consulting	86,021	60,287
Director fees	40,000	31,000
Travel	34,354	6,136
Other	29,365	20,417
Accounting	22,775	22,975
Legal	10,495	5,320
Dues and seminars	8,734	28,832
Taxes	<u>6,885</u>	<u>16,227</u>
Total Expenses	<u>13,815,524</u>	<u>19,109,782</u>
Increase (Decrease) in Unrestricted Net Assets	92,587,073	(10,842,082)
Unrestricted Net Assets, beginning	<u>11,432,645</u>	<u>22,274,727</u>
Unrestricted Net Assets, ending	<u>\$ 104,019,718</u>	<u>\$ 11,432,645</u>

# THE LEICHTAG FAMILY FOUNDATION

## Statements of Cash Flows

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Increase (decrease) in unrestricted net assets	\$ 92,587,073	\$ (10,842,082)
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided (used) by operating activities:		
Net realized and unrealized gains on investments	(1,913,780)	(7,331,717)
Changes in operating assets and liabilities:		
Prepaid expenses	12,869	-
Accounts payable	(12,247)	(289)
Grants payable	3,091,424	16,066,189
Accrued expenses	-	1,020
	<u>93,765,339</u>	<u>(2,106,879)</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Investing Activities:		
Purchases of investments	(104,890,379)	(836,313)
Proceeds on sales of investments	<u>13,700,000</u>	<u>6,270,000</u>
	<u>(91,190,379)</u>	<u>5,433,687</u>
Net Cash Provided (Used) by Investing Activities:		
Net Increase in Cash	2,574,960	3,326,808
Cash, beginning	<u>3,400,412</u>	<u>73,604</u>
Cash, ending	<u>\$ 5,975,372</u>	<u>\$ 3,400,412</u>

See accompanying notes to financial statements.

## THE LEICHTAG FAMILY FOUNDATION

### Notes to Financial Statements

Years Ended December 31, 2010 and 2009

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

##### Nature of Activities

The Leichtag Family 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.

##### 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 FASB ASC 825-10.

##### 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, 2010 and 2009.

## THE LEICHTAG FAMILY FOUNDATION

### Notes to Financial Statements

Years Ended December 31, 2010 and 2009

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#### 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, 2010 and 2009, due to the relative short maturities of these instruments.

##### Subsequent Events

The Foundation has evaluated subsequent events through April 6, 2011, 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 insured 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.



## THE LEICHTAG FAMILY FOUNDATION

### Notes to Financial Statements

Years Ended December 31, 2010 and 2009

#### Note 3 – Investments

The cost and fair market value of investments consist of the following:

	2010		2009	
	Cost	Fair Market Value	Cost	Fair Market Value
Fixed income	\$ 29,712,962	\$ 30,539,257	\$ 7,549,015	\$ 7,726,221
Equity securities	59,153,553	79,719,249	20,554,558	19,750,469
Alternative investments	7,990,000	8,092,776	2,490,000	2,420,942
International securities	2,934,712	6,202,072	1,285,486	1,551,563
	<u>\$ 99,791,227</u>	<u>\$ 124,553,354</u>	<u>\$ 31,879,059</u>	<u>\$ 31,449,195</u>

Investments are categorized as follows:

Description	Level 1	Level 2	Level 3	Total
December 31, 2010	\$ <u>116,460,578</u>	\$ <u>-</u>	\$ <u>8,092,776</u>	\$ <u>124,533,354</u>
December 31, 2009	\$ <u>29,028,253</u>	\$ <u>-</u>	\$ <u>2,420,942</u>	\$ <u>31,449,195</u>

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

	2010	2009
Fair value, beginning	\$ 2,420,942	\$ 2,035,524
Purchases	5,500,000	-
Investment gains	<u>171,834</u>	<u>385,418</u>
Fair value, ending	\$ <u>8,092,776</u>	\$ <u>2,420,942</u>

#### Note 4 – 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	\$ 6,295,806
2012	5,626,271
2013	4,073,890
2014	3,490,000
2015	3,490,000
Thereafter	<u>11,800,000</u>
	<u>34,775,967</u>
Less: Discount on grants payable	<u>(8,283,232)</u>
	<u>\$ 26,492,735</u>

## **THE LEICHTAG FAMILY FOUNDATION**

### **Notes to Financial Statements**

Years Ended December 31, 2010 and 2009

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#### **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, 2010 and 2009, 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, 2010, the Foundation received a contribution of \$101,505,050 from the Leichtag Survivor's Trust. No contribution was received during the year ended December 31, 2009.

#### **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.

#### **Note 8 – Subsequent Events**

Subsequent to the year end, the Foundation entered into two long-term grant commitments. The total commitments that are pledged to recipient organizations total approximately \$2,400,000.

#### **Note 9 – Reclassifications**

Certain items in the 2009 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported change in net assets.