

# **THE LEICHTAG FAMILY FOUNDATION**

Financial Statements

Years Ended December 31, 2009 and 2008

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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, 2009 and 2008, 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, 2009 and 2008, 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 2, 2010

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

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 3,400,412	\$ 73,604
Investments	31,449,195	29,551,165
Prepaid expenses	<u>12,869</u>	<u>12,869</u>
Total Assets	<u>\$ 34,862,476</u>	<u>\$ 29,637,638</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 14,167	\$ 14,456
Current portion of grants payable	4,703,733	879,308
Accrued expenses	<u>14,353</u>	<u>13,333</u>
Total Current Liabilities	4,732,253	907,097
Grants payable, net of current portion	<u>18,697,578</u>	<u>6,455,814</u>
Total Liabilities	23,429,831	7,362,911
Unrestricted Net Assets	<u>11,432,645</u>	<u>22,274,727</u>
Total Liabilities and Net Assets	<u>\$ 34,862,476</u>	<u>\$ 29,637,638</u>

# THE LEICHTAG FAMILY FOUNDATION

## Statements of Activities

Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Unrestricted Revenue:		
Contribution	\$ -	\$ 30,000,000
In-kind contributions	2,919	104,536
Interest	26	84,143
Dividends	933,038	740,805
Realized and unrealized gains (losses), net	<u>7,331,717</u>	<u>(10,279,703)</u>
Total Unrestricted Revenue	8,267,700	20,649,781
Expenses:		
Program services:		
Contributions	18,566,189	2,604,016
Supporting services - general and administrative:		
Administrative fees	179,476	39,999
Salaries	170,004	130,381
Consulting	60,287	15,674
Other	32,986	17,383
Director fees	31,000	32,000
Dues and seminars	25,318	12,310
Accounting	22,975	17,500
Taxes	16,227	13,438
Legal	<u>5,320</u>	<u>37,820</u>
Total Expenses	<u>19,109,782</u>	<u>2,920,521</u>
Increase (Decrease) in Unrestricted Net Assets	(10,842,082)	17,729,260
Unrestricted Net Assets, beginning	<u>22,274,727</u>	<u>4,545,467</u>
Unrestricted Net Assets, ending	<u>\$ 11,432,645</u>	<u>\$ 22,274,727</u>

# THE LEICHTAG FAMILY FOUNDATION

## Statements of Cash Flows

Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Increase (decrease) in unrestricted net assets	\$ (10,842,082)	\$ 17,729,260
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	(7,331,717)	10,279,703
Changes in operating assets and liabilities:		
Prepaid expenses	-	(6,506)
Accounts payable	(289)	14,456
Grants payable	16,066,189	851,703
Accrued expenses	1,020	13,333
	<u>(2,106,879)</u>	<u>28,881,949</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Investing Activities:		
Purchases of investments	(836,313)	(43,356,426)
Proceeds on sales of investments	6,270,000	14,380,782
	<u>5,433,687</u>	<u>(28,975,644)</u>
Net Cash Provided (Used) by Investing Activities:		
Net Increase (Decrease) in Cash	3,326,808	(93,695)
Cash, beginning	<u>73,604</u>	<u>167,299</u>
Cash, ending	<u>\$ 3,400,412</u>	<u>\$ 73,604</u>

See accompanying notes to financial statements.

## THE LEICHTAG FAMILY FOUNDATION

### Notes to Financial Statements

Years Ended December 31, 2009 and 2008

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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, 2009 and 2008.

## THE LEICHTAG FAMILY FOUNDATION

### Notes to Financial Statements

Years Ended December 31, 2009 and 2008

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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 are 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, 2009 and 2008, due to the relative short maturities of these instruments.

##### Subsequent Events

The Foundation has evaluated subsequent events through June 2, 2010, which is the date the financial statements were available to be issued.

#### Note 2 – Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits of \$250,000. The Foundation manages the risk by using only high quality financial institutions.



## THE LEICHTAG FAMILY FOUNDATION

### Notes to Financial Statements

Years Ended December 31, 2009 and 2008

#### Note 3 – Investments

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

	2009		2008	
	Cost	Fair Market Value	Cost	Fair Market Value
Fixed income	\$ 7,549,015	\$ 7,726,221	\$ 7,805,497	\$ 7,298,948
Equity securities	20,554,558	19,750,469	28,466,728	18,757,404
Alternative investments	2,490,000	2,420,942	2,490,000	2,035,524
International securities	1,285,486	1,551,563	2,542,148	1,459,289
	<u>\$ 29,391,549</u>	<u>\$ 31,449,195</u>	<u>\$ 41,304,373</u>	<u>\$ 29,551,165</u>

Investments are categorized as follows:

Description	Level 1	Level 2	Level 3	Total
December 31, 2009	\$ <u>29,028,253</u>	\$ <u>-</u>	\$ <u>2,420,942</u>	\$ <u>31,449,195</u>
December 31, 2008	\$ <u>27,515,641</u>	\$ <u>-</u>	\$ <u>2,035,524</u>	\$ <u>29,551,165</u>

Changes in the fair value of level 3 investments for the year ended December 31, 2009 are as follows:

	2009	2008
Fair value, beginning	\$ 2,035,524	\$ -
Purchases	-	2,490,000
Investment gains (losses)	<u>385,418</u>	<u>(454,476)</u>
Fair value, ending	\$ <u>2,420,942</u>	\$ <u>2,035,524</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,	
2010	\$ 4,703,733
2011	4,129,400
2012	3,914,000
2013	3,600,000
2014	3,490,000
Thereafter	<u>12,800,000</u>
	32,637,133
Less: Discount on grants payable	<u>(9,235,822)</u>
	<u>\$ 23,401,311</u>

## **THE LEICHTAG FAMILY FOUNDATION**

### **Notes to Financial Statements**

Years Ended December 31, 2009 and 2008

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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 – Donor Advised Fund**

The Foundation has a donor advised fund at the Jewish Community Foundation, for which management has the ability to make recommendations to direct funds for charitable purposes. The total value of the fund as of December 31, 2008 was \$407,052. The Foundation did not have any funds available at December 31, 2009.

#### **Note 7 – Related Party Transactions**

During the years ended December 31, 2009 and 2008, the Foundation received support through reimbursed operating costs totaling approximately \$3,000 and \$105,000 from The Leichtag Family 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, 2008, the Foundation received a contribution of \$30,000,000 from the Leichtag Family Trust. No contribution was received during the year ended December 31, 2009.

#### **Note 8 – 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 9 – Subsequent Events**

Subsequent to the year end, the Foundation entered into several long-term grant commitments. The total commitments that are pledged to recipient organizations total approximately \$1,900,000.

#### **Note 10 – Reclassifications**

Certain items in the 2008 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported change in net assets.