THE MUSIC CENTER FOUNDATION

(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2015

THE MUSIC CENTER FOUNDATION
(A NONPROFIT ORGANIZATION)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Music Center Foundation
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Music Center Foundation (the "Foundation") which comprise the statement of financial position as of March 31, 2015, the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Music Center Foundation as of March 31, 2015 and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As explained in Note 4, the financial statements include partnership interest and other funds valued at $92,181,868 (22% of total assets) (2014: $94,474,372 (23% of total assets)) and equity hedge funds and absolute return funds valued at $133,345,883 (31% of total assets) (2014: $136,347,491 (33% of total assets)), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the general partners or fund managers.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary statement of financial position at March 31, 2015 and the supplementary statement of activities for the year ended March 31, 2015 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Music Center Foundation's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 9, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

SingerLewak LLP

SingerLewak LLP

Los Angeles, California
September 11, 2015

THE MUSIC CENTER FOUNDATION

(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
March 31, 2015
(with Comparative Totals at March 31, 2014)

ASSETS

	2015	2014
Assets		
Cash	$ 2,916,908	$ 5,365,443
Investments		
General Fund and LAPA Fund		
Cash and cash equivalents	4,191,327	380,658
Stocks and stock funds	79,866,319	76,919,974
Bond funds	8,321,439	7,708,177
Partnership interests and other funds	45,519,397	45,854,300
	137,898,482	130,863,109
Funds held for others		
Cash and cash equivalents	11,403,793	11,575,416
Stocks and stock funds	175,243,943	171,241,596
Bond funds	18,259,034	17,160,182
Partnership interests and other funds	46,662,468	48,620,072
	251,569,238	248,597,266
Total investments	389,467,720	379,460,375
Due from resident companies	468,492	182,478
Pledges and contributions receivable, net	1,022,025	1,208,746
Pledges receivable – estate notes, net	24,009,349	23,162,557
Split-interest agreements		
Beneficial interests in charitable remainder trusts	5,184,191	4,156,220
Charitable gift annuities	539,203	821,128
Prepaid expenses and other assets	4,580,880	3,680,149
Total assets	**$ 428,188,768**	**$ 418,037,096**

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

THE MUSIC CENTER FOUNDATION
(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
March 31, 2015
(with Comparative Totals at March 31, 2014)

LIABILITIES AND NET ASSETS

	2015	2014
Liabilities		
Accounts payable and accrued expenses	$ 269,845	$ 400,139
Distributions payable	3,909,871	3,662,708
Obligations under annuities and trusts	632,101	1,251,486
Funds held for others	251,569,238	248,597,266
Total liabilities	256,381,055	253,911,599
Net assets		
Permanently restricted	111,333,395	107,954,754
Temporarily restricted	60,474,318	56,170,743
Total net assets	171,807,713	164,125,497
Total liabilities and net assets	**$ 428,188,768**	**$ 418,037,096**

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

THE MUSIC CENTER FOUNDATION

(A NONPROFIT ORGANIZATION)

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2015

(with Comparative Totals for the Year Ended March 31, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Revenues and gains					
Net realized and unrealized gains on investments	$ -	$ 10,045,647	$ -	$ 10,045,647	$ 16,213,763
Interest and dividends	-	1,040,666	-	1,040,666	982,803
Contributions	-	-	2,616,339	2,616,339	2,530,981
Changes in value of split-interest agreements and estate notes	-	221,766	762,302	984,068	1,028,554
Net assets released from restrictions	7,004,504	(7,004,504)	-	-	-
Total revenues and gains	7,004,504	4,303,575	3,378,641	14,686,720	20,756,101
Expenses					
Investment expenses					
Bank and trustee fees	26,549	-	-	26,549	23,644
Consultant fees	105,349	-	-	105,349	104,892
Total investment expenses	131,898	-	-	131,898	128,536
Salaries and benefits	472,017	-	-	472,017	447,070
Administrative fees (reimbursement)	(450,257)	-	-	(450,257)	(431,529)
Fundraising expenses	12,838	-	-	12,838	36,754
Legal and accounting	256,434	-	-	256,434	243,840
Other expenses	102,932	-	-	102,932	98,204
Total expenses	525,862	-	-	525,862	522,875
Distributions					
Music Center/Performing Arts Center of Los Angeles	522,061	-	-	522,061	543,015
Music Center Education Division	413,035	-	-	413,035	398,436
Music Center Blue Ribbon Children's Festival	237,242	-	-	237,242	223,869
Music Center Dance	110,247	-	-	110,247	103,755
Music Center Club 100 Bravo Fund	-	-	-	-	5,255
Los Angeles Philharmonic Association	3,059,006	-	-	3,059,006	2,843,692
Center Theatre Group	1,133,550	-	-	1,133,550	1,051,905
Los Angeles Opera Company	839,160	-	-	839,160	795,849
Los Angeles Master Chorale	164,341	-	-	164,341	147,525
Total distributions	6,478,642	-	-	6,478,642	6,113,301
Change in net assets	-	4,303,575	3,378,641	7,682,216	14,119,925
Net assets, beginning of year	-	56,170,743	107,954,754	164,125,497	150,005,572
Net assets, end of year	**$ -**	**$ 60,474,318**	**$ 111,333,395**	**$ 171,807,713**	**$ 164,125,497**

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

THE MUSIC CENTER FOUNDATION

(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2015
(with Comparative Totals for the Year Ended March 31, 2014)

	2015	2014
Operating activities		
Change in net assets	$ 7,682,216	$ 14,119,925
Adjustments to reconcile change in net assets		
to cash used in operating activities		
Net realized and unrealized gains on investments	(10,045,647)	(16,213,763)
Changes in operating assets and liabilities		
Due from resident companies	(286,014)	(11,785)
Restricted investments – annuities and trusts	281,925	141,350
Prepaid expenses and other assets	(900,731)	1,010,788
Accounts payable and accrued expenses	(130,294)	102,889
Distributions payable	247,163	119,195
Obligations under annuities and trusts	(619,385)	152,204
Beneficial interests in charitable remainder trusts	(1,027,971)	(358,687)
Notes and pledges receivable, net	(660,071)	(2,404,594)
Net cash used in operating activities	(5,458,809)	(3,342,478)
Investing activities		
Net sales of investment securities	3,010,274	3,004,920
Net cash provided by investing activities	3,010,274	3,004,920
Net change in cash and cash equivalents	(2,448,535)	(337,558)
Cash and cash equivalents, beginning of year	5,365,443	5,703,001
Cash and cash equivalents, end of year	**$ 2,916,908**	**$ 5,365,443**

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

NOTE 1 – DESCRIPTION OF OPERATIONS

Foundation

The Music Center Foundation (the "Foundation") was established in 1973 to provide endowment support to the Performing Arts Center of Los Angeles County dba the Music Center of Los Angeles County (the "Music Center"), its educational activities and the resident companies (the "Resident Companies") at the Music Center. The Resident Companies are the Los Angeles Philharmonic Association, Center Theatre Group, Los Angeles Opera Company, the Los Angeles Master Chorale and the Performing Arts Center of Los Angeles County. The Foundation is responsible for building the endowment to support performing arts at the Music Center through asset management and planned giving fundraising.

The Foundation was organized pursuant to the General Nonprofit Corporation Law of the State of California and is a publicly supported foundation pursuant to IRC Sections 509(a)(1) and 170(b)(1)(A)(vi). As such, the Foundation is exempt from federal and state taxes.

Funds

The Foundation manages two permanent endowment funds and seven separate funds that are held for the benefit of others. Each fund is governed by a separate agreement that determines distribution, withdrawal and asset allocation rights.

Endowment Funds

(1) General Fund

The General Fund's permanent endowments include various gifts from individuals, corporations and other institutions. The income from these endowments is for the use of certain Resident Companies and other activities of the Music Center as described in the original gifts. As determined by the board of directors pursuant to its distribution policy, distributions are accrued based on a percentage of the General Fund's average market value calculated on a 12-quarter rolling average ending the preceding fiscal year. The 12-quarter rolling average is computed exclusive of pledges receivable. Distributions of otherwise non-designated endowment funds may not exceed income (interest and dividends) plus 5% of the fair market value of the funds at the end of the previous fiscal year. Distributions are paid directly to the designated recipients following the close of the fiscal year.

(2) Los Angeles Philharmonic Association Endowment Fund

The Los Angeles Philharmonic Association Endowment Fund ("LAPA Fund") was established in 1984 between the Foundation and the Los Angeles Philharmonic Association (the "Association"), whereby the Foundation would maintain a separate endowment fund for the benefit of the Association. The principal and income from the LAPA Fund is restricted for the sole and unqualified use and benefit of the Association. The LAPA Fund endowment spending policy is the maximum distribution permitted under the articles of incorporation of the Foundation. The Foundation is responsible for tracking individual donor gifts.

NOTE 1 – DESCRIPTION OF OPERATIONS (Continued)

Funds Held for Others

Funds held for others are the property of the Music Center or Resident Companies and are managed pursuant to a management agreement between the Foundation and each entity. Each entity is responsible for setting its fund asset allocation policy and distribution policy and, upon written notification, may withdraw funds held by the Foundation subject to the management agreement and any withdrawal restrictions established by individual investment managers. With the exception of the Opera Fund, the Foundation is not responsible for tracking individual gifts within the Music Center or Resident Company funds.

The funds are held in two sub funds: the marketable securities fund and the nonmarketable securities fund. The marketable securities fund consists of investments of stocks, stock funds and bond funds. The nonmarketable securities fund consists of partnership interests and other funds. The marketable securities fund, together with certain cash balances, is held in a bank in separate accounts for the Music Center and each Resident Company. It is also unitized to aid the management of these funds. Due to the nature of the investments, the nonmarketable securities are not held in separate accounts. The Music Center and each Resident Company's share of the fund is tracked and held in accordance with the management agreement.

(1) Music Center Harris Reserve Fund ("Harris Reserve Fund")
The Harris Reserve Fund was established pursuant to an agreement between the Foundation and the Music Center dated May 15, 2002.

(2) Music Center Harris Dance Fund ("Harris Dance Fund")
The Harris Dance Fund was established pursuant to an agreement between the Foundation and the Music Center dated May 15, 2002.

(3) Los Angeles Philharmonic Association Endowment Fund II ("LAPA II Fund")
The LAPA II Fund was established pursuant to an agreement between the Foundation and the Los Angeles Philharmonic Association dated June 4, 2003.

(4) Center Theatre Group Reserve Fund ("CTG Reserve Fund")
The CTG Reserve Fund was established pursuant to an agreement between the Foundation and Center Theatre Group dated September 10, 2003. On September 2010, Center Theatre Group entered into a credit agreement with a bank that requires a minimum collateral balance within the CTG Reserve Fund. As of the fiscal year ended March 31, 2015, the CTG Reserve Fund has met the minimum collateral balance required.

(5) Los Angeles Opera Endowment Fund ("Opera Fund")
The Opera Fund was established pursuant to an agreement between the Foundation and the Los Angeles Opera dated December 17, 2003.

NOTE 1 – DESCRIPTION OF OPERATIONS (Continued)

Funds Held for Others (Continued)
(6) *Performing Arts Center, Los Angeles County* ("PACLAC Fund")
The PACLAC Fund was established pursuant to an agreement between the Foundation and the Performing Arts Center, Los Angeles County dated September 1, 2007.

(7) *Performing Arts Center, Los Angeles County Blue Ribbon ("Blue Ribbon Fund")*
The Blue Ribbon Fund was established pursuant to an agreement between the Foundation, the Performing Arts Center, Los Angeles County and Blue Ribbon dated June 22, 2011.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accompanying financial statements are presented utilizing the accrual basis of accounting.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended March 31, 2014, from which the summarized information was derived. Certain reclassifications have been made to prior period balances in order to conform to current period presentation.

Fund Accounting and Net Asset Classification
To ensure compliance with restrictions placed on the resources available to the Foundation, the Foundation's accounts are maintained in accordance with the principles of fund accounting. This accounting and reporting procedure classifies resources into funds established according to their nature and purposes. In the financial statements, funds that have similar characteristics have been combined into three net assets categories: permanently restricted, temporarily restricted and unrestricted.

(1) Permanently Restricted Net Assets
Permanently restricted net assets contain donor-imposed restrictions that stipulate the assets are maintained in perpetuity. All contributions to the Foundation, unless otherwise restricted by the donor, are deemed to be given for endowment purposes and have been classified as permanently restricted. Investment income is either designated for specific programs or undesignated. If undesignated, it is expendable for unrestricted purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting and Net Asset Classification (Continued)

(2) Temporarily Restricted Net Assets

Temporarily restricted net assets include unexpended and unappropriated earnings from the Foundation's general fund, contributions to which, as noted above, were classified as permanently restricted.

(3) Unrestricted Net Assets

Unrestricted net assets are net assets not restricted by donors or for which the donor-imposed restrictions have expired. Unrestricted net assets may be expendable for any purpose in performing the primary objectives of the Foundation. Since the Foundation does not have contributions which have not been given for endowment purposes, and since the Foundation appropriates only those earnings necessary to meet annual expenditures, the Foundation has no unrestricted net assets at March 31, 2015.

Revenue Recognition

Unconditional promises to give cash and investment securities are reported at fair value at the date the promise is received. The Foundation records earned revenues on an accrual basis. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Pledges are recorded net of estimated uncollectible amounts. All of the Foundation's pledges receivable, with the exception of the irrevocable estate notes, are due in one to five years.

Cash Equivalents

The Foundation classifies all highly liquid investment instruments purchased with an original maturity of three months or less as cash equivalents. All cash balances are invested in short-term investment funds.

Concentration of Credit and Market Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash, investments, pledges receivable and charitable remainder trusts. As investments accounted for 90% of the Foundation's assets at March 31, 2015, the Foundation is exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is possible that changes in risk in the near term would affect investment balances and the amounts reported in the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit and Market Risk (Continued)
The Foundation maintains bank accounts at two banks. One account is held at a financial institution insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At times, cash in the account exceeds the insured amount for brief periods. The other account is a money market fund held at a financial institution insured by Securities Investor Protection Corporation "SIPC" up to $500,000. This money market mutual fund is set up to hold a Net Asset Value (NAV) of $1 per share at all times, with the interest and income distributed on a monthly basis. At almost all times, cash in this money market fund account exceeds the insured amount. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments
To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Fair value of stocks and fixed income securities in publicly traded securities is based on quoted market prices. Fair value of other stocks and fixed income securities is based on market values of similar observable or underlying assets or unobservable inputs such as cash flows and discount rates. All investments are recorded at market value. Realized gains and losses from investment transactions are computed using the average cost method and are recorded net of investment fund fees and expenses.

Interest and dividends consist primarily of earnings on short-term investment funds and a managed portfolio consisting principally of fixed income securities and dividends earned on equity securities.

Income earned from investments in all net asset classifications, except the permanently restricted net assets, is recorded in the net asset class owning the assets. Income from permanently restricted investments is recorded as temporarily restricted, except where the instructions of the donor specify otherwise.

Return Objectives and Risk Parameters
The Foundation attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment funds and funds held for others. Under this policy, as approved by the board of directors, the funds are invested in a manner that is intended to produce an average rate of return of at least 5.5 percent annually, net of inflation, while assuming a moderate amount of risk. Actual returns in any given year may vary from this amount.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Foundation has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value (excluding pledges receivable) over the prior 12 quarters through the preceding fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment and operating expenses. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at the rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts. The Foundation considers the following factors in making a determination to appropriate funds for distribution:

1. The duration and preservation of the fund,
2. The purposes of the Foundation and the donor-restricted endowment funds,
3. General economic conditions,
4. The possible effect of inflation and deflation,
5. The expected total return from income and the appreciation of investments,
6. Other resources of the Foundation and
7. The investment policies of the Foundation.

Partnership Interests
The partnership interests are carried at estimated fair value. In the absence of market price quotes, the estimated fair value of the interests is determined using the net asset value per share or its equivalent as estimated by the general partners of the respective Partnership. Investments within the Partnership for which exchange quotes are not readily available are valued at the latest bid price obtained from one or more dealers making a market for such securities or at estimated fair values as determined in good faith by the general partner. Investments for which exchange quotes are not readily available may include specific classes or series of issuers' equity or debt securities. The methods and procedures to value these investments may include, but are not limited to (1) performing price comparisons with comparable or similar securities, (2) obtaining valuation-related information from issuers, such as audited financial statements, and/or (3) using other analytical data relating to the investment and other available indications of value.

Because of the inherent uncertainty of valuation and the illiquidity of the interests, the estimated fair values for the aforementioned securities and interests may differ from the values that would have been used had a ready market for the investments existed, and therefore, the differences could be material.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Partnership Interests (Continued)
Due to the time necessary in obtaining a valuation, the accounting for realized and unrealized gains/losses will lag the current value by one quarter. The Foundation does not believe this lag has a qualitatively or quantitatively material impact on the Foundation's financial statements. Each year-end, the Foundation reviews the results of the lagged quarter so as to provide the basis for this assertion and to review for possible impairment issues as of its year end.

Pledges Receivable
The Foundation is the beneficiary of pledges receivable that consist of cash pledges and estate notes. The cash pledges are due within five years and are recorded at their present value based upon the Foundation's risk-free rate of return. The estate notes are due upon the death of the donor and are recorded based on an estimate of their present value, net of an allowance for uncollectible accounts. The estate note estimate of present value is based upon the life expectancy of the donor according to actuarial tables. The changes in present value are reflected as contributions in the accompanying statements of activities. The allowance for uncollectible accounts is based upon the estate notes' historical collectability and average value.

Split-interest Agreements
The Foundation has been named as a remainder beneficiary of charitable remainder trusts held by third-party trustees. A charitable remainder trust is an arrangement in which a donor establishes a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term, usually the designated beneficiaries' lifetime. The Foundation will receive its share of the assets remaining upon the termination of the charitable trust. At inception, the Foundation records its beneficial interest in the charitable remainder trust and contribution revenue at the present value of future benefits expected to be received, net of allowance for uncollectible accounts. The changes in value are reflected as changes in value of split-interest agreements on the accompanying statements of activities. The allowance for uncollectible accounts is based upon the charitable remainder trust's historical collectability and average value.

The Foundation is the co-trustee of one charitable remainder trust, where it is also the remainder beneficiary. For this trust, its assets are recorded at their fair market value and the present value of the trust's future payment liability is recorded in the statement of financial position as obligations under annuities and trusts.

The Foundation is the beneficiary of charitable gift annuities, which are arrangements between donors and the Foundation in which the donors contribute assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donors or to individuals or Foundations designated by the donors.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Split-interest Agreements (Continued)
The Foundation's future payment liability is recorded in the statement of financial position as obligations under annuities and trusts. A corresponding asset is recorded as a charitable gift annuity and segregated as a funded reserve required by law. Any contribution in excess of the initial liability is recognized as contribution revenue.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenue and expenses during the reporting period and changes in net assets. Actual results could differ from those estimates.

Income Taxes
In accordance with ASC 740, "Uncertainty in Income Taxes," the Foundation recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. To date, the Foundation has not recorded any uncertain tax positions. The Foundation recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense.

During the year ended March 31, 2015, the Foundation did not recognize any amount in potential interest and penalties associated with uncertain tax positions. The Foundation is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before 2010.

Recently Issued Accounting Pronouncements
In April 2013, the FASB issued Accounting Standards Update No. 2013-06, "Services Received from Personnel of an Affiliate." This amendment requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The amendments in this update improve current U.S. GAAP by requiring all not-for-profit entities to apply similar recognition and measurement bases for services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity. The changes are effective for the fiscal years beginning after June 15, 2014. The Foundation does not believe the adoption of this guidance will have a material financial impact on the Foundation's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)
In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" (Topic 606) ("ASU 2014-09"), to supersede nearly all existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle, and in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation.

ASU 2014-09 will be effective for annual reporting periods beginning after December 14, 2017, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09 or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. Management is in the process of evaluating the impact of this accounting pronouncement.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and annual and interim periods thereafter, with early adoption permitted. Management is in the process of evaluating the impact of this accounting pronouncement.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent).* ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 is effective for annual periods beginning after December 15, 2016, and interim period within those fiscal years, with early adoption permitted. Management is in the process of evaluating the impact of this accounting pronouncement.

NOTE 3 – INVESTMENTS

Investments held at fair value at March 31, 2015 and 2014 consisted of the following:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	$ 15,595,120	$ 15,595,120	$ 11,956,074	$ 11,956,074
Stocks and stock funds	196,177,647	255,110,262	190,499,036	248,161,570
Bond funds	22,453,753	26,580,473	21,702,199	24,868,359
Partnership interests and other funds	47,609,606	92,181,865	56,420,128	94,474,372
Total investments	**$ 281,836,126**	**$ 389,467,720**	**$ 280,577,437**	**$ 379,460,375**

At March 31, 2015 and 2014, cash and investments held for others at fair value aggregated $251,569,238 and $248,597,266, respectively.

The partnership interests and other funds cost is the paid-in capital, less distributions received from each partnership interest and other fund investments.

Net realized and unrealized gains and losses on investments, as shown in the statement of activities, consisted of the following:

	Year Ended March 31, 2015	Year Ended March 31, 2014
Realized gains (losses) on sales and maturities of securities, net	$ 2,107,528	$ 11,254,979
Net change in unrealized gain (loss)		
Stocks and stock and bond funds	1,420,102	(4,266,579)
Partnership interests and other funds	6,518,017	9,225,363
Total	**$ 10,045,647**	**$ 16,213,763**

NOTE 4 – FAIR VALUE MEASUREMENT

As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses the market approach. Based on this approach, the Foundation utilizes certain assumptions about the risk or risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values.

As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2 – Include other inputs that are directly or indirectly observable in the marketplace
- Level 3 – Unobservable inputs that are supported by little or no market activity

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, which is the Foundation's policy. For the fiscal year ended March 31, 2015, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

<u>Stocks and Stock Funds</u>
The basis of fair value for stocks and stock funds differs depending on the investment. For certain investments, market value is based on quoted market prices; these are classified within Level 1 of the valuation hierarchy. For certain investments, the market value is based on market values of similar observable or underlying assets; these are classified within Level 2 of the valuation hierarchy. Some stock funds held by the Foundation are based on unobservable inputs such as net asset value, cash flows and discount rates and alternative investments that are supported by little or no market activity; these are classified within Level 3 of the hierarchy.

NOTE 4 – FAIR VALUE MEASUREMENT (Continued)

Bond Funds
The fair value of fixed income funds is the market value based on quoted market prices. They are classified within Level 1 of the fair value hierarchy.

Partnership Interests and Other Funds
The Foundation uses the net asset value per share of Partnership interests as a practical expedient to estimate the fair value of investments. Investments within the partnership for which exchange quotes are not readily available are valued at the latest bid price obtained from one or more dealers making a market for such securities or at estimated fair values as determined in good faith by the general partner. Investments for which exchange quotes are not readily available may include specific classes or series of issuers' equity or debt securities. Partnership interests and other funds are classified within Level 3 of the fair value hierarchy.

Beneficial Interest in Charitable Remainder Trusts
The Foundation's beneficial interest in a charitable remainder trust may be designated as either (1) a percentage share or (2) a specified dollar amount of the remaining trust assets at the termination of the trust. Where the beneficial interest in the charitable remainder trust is designated as a percentage share, the present value of the remainder is revalued each year end based on the donor's life expectancy, the trust assets' current fair market value, the trust distribution rate, the current discount rate and the estimated future increase in value of the trust assets. The difference in the present value of the remainder between the current year-end and the prior year-end is recorded as a change in value of split-interest agreements. For charitable remainder trusts where the Foundation's beneficial interest is designated as a specified dollar amount due on the termination of the trust, the present value of the remainder is revalued each year-end based on the donor's life expectancy and the current discount rate.

The discount from the specified remainder amount is amortized into income over the donor's life expectancy according to actuarial tables as a change in value of split-interest agreements.

The Foundation elected to adopt the fair value option afforded by ASC 825 in relation to assets held in charitable remainder trusts and obligations under trusts. Following initial recognition, subsequent present value calculations will revise all inputs at each measurement date. This election was made to ensure consistent recognition and subsequent re-measurement between both forms of charitable remainder trusts held by the Foundation, as well as beneficial interests and charitable remainder trusts where the Foundation is trustee.

NOTE 4 – FAIR VALUE MEASUREMENT (Continued)

Beneficial Interest in Charitable Remainder Trusts (Continued)
The current discount rate used for both types of remainder interest at March 31, 2015 and 2014 are 1.80% and 2.20%, respectively. During the fiscal years ended March 31, 2015 and 2014, the Foundation recorded $1,242,616 and $0, respectively, in new beneficial interests in charitable remainder trusts.

Total beneficial interests in charitable remainder trusts, net of discount on beneficial interest, are $5,085,848 and $3,778,110 for the fiscal years ended March 31, 2015 and 2014, respectively.

Total assets held in charitable remainder trusts are $98,343 and $378,110 for the fiscal years ended March 31, 2015 and 2014, respectively.

Beneficial interests in charitable remainder trusts are classified within Level 3 of the fair value hierarchy.

Charitable Gift Annuities
For charitable gift annuities, the Foundation's future payment liability is recorded in the statement of financial position as obligations under annuities and trusts. A corresponding asset is recorded as a charitable gift annuity, with any contribution in excess of the initial liability recognized as contribution revenue. The liability for each gift annuity is revalued each year under actuarial tables and interest rates established by the California Department of Insurance. The Foundation is required by law to maintain a segregated reserve to fund this liability. Total charitable gift annuity balances are $539,203 and $821,128 for the fiscal years ended March 31, 2015 and 2014, respectively. The corresponding liability balances for charitable gift annuities are $566,201 and $873,376, respectively.

NOTE 4 – FAIR VALUE MEASUREMENT (Continued)

Charitable Gift Annuities (Continued)
The following table summarizes the Foundation's financial assets by the fair value hierarchy levels in accordance with ASC 820 as of March 31, 2015.

	Level 1	Level 2	Level 3	Total
Investments				
Stocks and stock funds				
U.S. large cap equities	$ -	$ 58,915,076	$ -	$ 58,915,076
U.S. small cap equities	15,307,604	-	-	15,307,604
International equities	10,681,629	36,860,070	-	47,541,699
Emerging market equities	-	-	56,999,852	56,999,852
Equity hedge funds	-	-	21,117,145	21,117,145
Commodities	-	-	8,074,730	8,074,730
Absolute return funds	-	-	47,154,156	47,154,156
Total stocks and stock funds	25,989,233	95,775,146	133,345,883	255,110,262
Bond fund	26,580,473	-	-	26,580,473
Partnerships interests and other funds	-	-	92,181,865	92,181,865
Total investments	**$ 52,569,706**	**$ 95,775,146**	**$225,527,748**	**$373,872,600**
Cash equivalents				15,595,120
Total investments per statement of financial position				**$389,467,720**
Financial assets				
Beneficial interest in charitable remainder trusts, net	$ -	$ -	$ 5,085,848	$ 5,085,848
Assets held in charitable remainder trusts	-	-	98,343	98,343
Charitable gift annuities	-	-	539,203	539,203
Total assets	**$ -**	**$ -**	**$ 5,723,394**	**$ 5,723,394**
Financial liabilities				
Obligations under trusts	$ -	$ -	$ 65,900	$ 65,900
Total liabilities	**$ -**	**$ -**	**$ 65,900**	**$ 65,900**

NOTE 4 – FAIR VALUE MEASUREMENT (Continued)

For the year ended March 31, 2015, the changes in investments classified as Level 3 are as follows:

	Stocks and Stock Funds	Partnership Interests and Other Funds
Balance, beginning of year	$ 135,119,399	$ 94,472,320
Purchases	1,228,091	5,010,056
Sales	(4,630,279)	(20,769,581)
Realized and unrealized gains (losses), net	1,628,672	13,467,070
Balance, end of year	**$ 133,345,883**	**$ 92,181,865**

For the year ended March 31, 2015, the changes in financial assets and liabilities classified as Level 3 are as follows:

	Beneficial Interest in Charitable Remainder Trusts	Assets Held in Charitable Remainder Trusts	Charitable Gift Annuities	Obligations under Trusts
Balance, beginning of year	$ 3,778,110	$ 378,110	$ 821,128	$ 378,110
Changes in value	1,307,738	(279,767)	(282,125)	(312,210)
Balance, end of year	**$ 5,085,848**	**$ 98,343**	**$ 539,203**	**$ 65,900**

NOTE 4 – FAIR VALUE MEASUREMENT (Continued)

The following table summarizes the Foundation's financial assets by the fair value hierarchy levels in accordance with ASC 820 as of March 31, 2014.

	Level 1	Level 2	Level 3	Total
Investments				
Stocks and stock funds				
U.S. large cap equities	-	50,525,533	-	50,525,533
U.S. small cap equities	15,196,548	-	-	15,196,548
International equities	11,420,403	35,899,687	-	47,320,090
Emerging market equities	-	-	55,555,738	55,555,738
Equity hedge funds	-	-	19,325,731	19,325,731
Commodities	-	-	10,534,440	10,534,440
Absolute return funds	-	-	49,703,490	49,703,490
Total stocks and stock funds	26,616,951	86,425,220	135,119,399	248,161,570
Bond fund	24,868,359	-	-	24,868,359
Partnerships interests and other funds	-	-	94,474,372	94,474,372
Total investments	**$ 51,485,310**	**$ 86,425,220**	**$229,593,771**	**$367,504,301**
Cash equivalents				11,956,074
Total investments per statement of financial position				**$379,460,375**
Financial assets				
Beneficial interest in charitable remainder trusts, net	$ -	$ -	$ 3,778,110	$ 3,778,110
Assets held in charitable remainder trusts	-	-	378,110	378,110
Charitable gift annuities	-	-	821,128	821,128
Total assets	**$ -**	**$ -**	**$ 4,977,348**	**$ 4,977,348**
Financial liabilities				
Obligations under trusts	$ -	$ -	$ 378,110	$ 378,110
Total liabilities	**$ -**	**$ -**	**$ 378,110**	**$ 378,110**

NOTE 4 – FAIR VALUE MEASUREMENT (Continued)

For the year ended March 31, 2014, the changes in investments classified as Level 3 are as follows:

	Stocks and Stock Funds	Partnership Interests and Other Funds
Balance, beginning of year	$ 94,236,058	$ 87,993,152
Purchases	71,500,000	11,442,951
Sales	(36,801,175)	(19,687,415)
Realized and unrealized gains (losses), net	6,184,516	14,725,684
Balance, end of year	**$ 135,119,399**	**$ 94,474,372**

For the year ended March 31, 2014, the changes in financial assets and liabilities classified as Level 3 are as follows:

	Beneficial Interest in Charitable Remainder Trusts	Assets Held in Charitable Remainder Trusts	Charitable Gift Annuities	Obligations under Trusts
Balance, beginning of year	$ 3,637,072	$ 160,461	$ 962,478	$ 160,463
Changes in value	141,038	217,649	(141,350)	217,647
Balance, end of year	**$ 3,778,110**	**$ 378,110**	**$ 821,128**	**$ 378,110**

NOTE 4 – FAIR VALUE MEASUREMENT (Continued)

The following table summarizes the Foundation's financial assets which are valued using the fair value practical expedient of net asset value in accordance with ASC 2009-12 Topic 820 as of March 31, 2015.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Stocks and stock funds				
U.S. large cap equities (a)	$ 58,915,076	-	daily - quarterly	1 - 60 days
International equities (b)	36,860,070	-	monthly	6 days
Emerging market equities (c)	56,999,852	-	daily-quarterly	1 - 60 days
Equity hedge funds (d)	21,117,145	-	quarterly-annually	45 – 60 days
Commodities (e)	8,074,730	-	annually	90 days
Absolute returns (f)	47,154,156	-	quarterly-3 years	45 - 120 days
Total stocks and stock funds	229,121,029	-		
Partnerships and other funds (g)	92,181,865	21,433,322	when partnership ceases	n/a
Total	**$ 321,302,894**	**$ 21,433,322**		

Level 2 investments	$ 95,775,146
Level 3 investments	225,527,748
Total	**$ 321,302,894**

NOTE 4 – FAIR VALUE MEASUREMENT (Continued)

The following table summarizes the Foundation's financial assets which are valued using the fair value practical expedient of net asset value in accordance with ASC 2009-12 Topic 820 as of March 31, 2014.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Stocks and stock funds				
U.S. large cap equities (a)	50,525,533	-	daily - quarterly	1 - 60 days
International equities (b)	35,899,687	-	monthly	6 days
Emerging market equities (c)	55,555,738	-	daily - quarterly	1 - 60 days
Equity hedge funds (d)	19,325,731	-	quarterly-annually	45 – 100 days
Commodities (e)	10,534,440	-	annually	notice by 11/1
Absolute returns (f)	49,403,490	-	quarterly-3 years	45 - 120 days
Total stocks and stock funds	221,544,619	-		
Partnerships and other funds (g)	94,474,372	22,781,273	when partnership ceases	n/a
Total	**$ 316,018,991**	**$ 22,781,273**		
Level 2 investments	$ 86,425,220			
Level 3 investments	229,593,771			
Total	**$ 316,019,991**			

(a) This category includes investments in long- and short-term equity funds mirroring S&P 500 sector weighting. The fair value of the investments in this category have been estimated using asset values per share of the investments and can be redeemed quarterly or daily with a redemption fee up to 0.5% with 60-day or 1-day notice, respectively. Investments are subject to lockups or gates whereby the general partner retains the right to limit withdrawals from all limited partners to 10% of aggregated limited partner capital on any one withdrawal date. Further restrictions provide that 95% of investment can be withdrawn at once with the remainder to be paid out 30 days after completion of the fund's annual audit.

NOTE 4 – FAIR VALUE MEASUREMENT (Continued)

(b) This category includes investments in international (non-U.S.) equity funds. The fair value of the investments in this category has been estimated using net asset values per share of the investments and can be redeemed monthly with a 6-day notice period. Restrictions include a provision where the fund may suspend redemptions when it is impossible to determine the net asset value or in other emergency situations.

(c) This category includes investments in emerging market equity funds, hybrid and fixed-income funds. The fair value of the investments in this category has been estimated using net asset values per share of the investments and can be redeemed quarterly, on the 1st or 15th of each month or daily, with 60-day, 30-day or 1-day notice, respectively. Some of the investments are subject to lockups or gates whereby the general partner retains the right to limit withdrawals from all limited partners to 10% of aggregated limited partner capital on any one withdrawal date. Restrictions include a provision where the fund may suspend redemptions when it is impossible to determine the net asset value or in other emergency situations and may elect to distribute securities in lieu of cash.

(d) This category includes investments in long and short equity focused fund of hedge funds along with small and micro-cap Asia Pacific hedge funds. The fair value of the investments in this category has been estimated using net asset values per share of the investments and can be redeemed annually on January 1 or quarterly/annually depending on share class with a 100-day and 45-day or 60-day notice period, respectively. Restrictions include a provision where 90% of investment can be withdrawn at once with the remainder paid out 30 days after the completion of the fund's annual audit, subject to withdrawal restrictions of underlying managers.

(e) This category includes investments in a commodity index fund backed by inflation-indexed bonds, global natural resources securities, commodities and real assets funds and global fixed income arbitrage seeking to benchmark the Dow Jones Commodities Index. The fair value of the investments in this category has been estimated using net asset values per share of the investments and can be redeemed annually on December 31, with notice by November 1, or one-third redeemed per each rolling 12-month period with 90-day notice period. Restrictions include a provision where 95% of the investment can be withdrawn at once with the remainder paid promptly upon the completion of the fund's annual audit. The fund may elect to suspend distributions when it is impossible to determine net asset value or any other emergency situations.

NOTE 4 – FAIR VALUE MEASUREMENT (Continued)

(f) This category of Absolute Return Investments includes funds that have exposure to the U.S. debt and equity markets, international developed debt and equity and emerging debt and equity markets. These funds have both long and short positions and focus on returns from various arbitrage positions that capture inefficiencies in the markets. The fair values of the investments in this category are based on net asset values per share of the funds. The liquidity of these investments varies by fund and share class. Most of the investments may be redeemed annually with notice that varies from 45 to 120 days. Investments representing 36% as of March 31, 2015 and 31% as of March 31, 2014 of the value of the investments in this category are subject to lockups or gates, whereby the fund retains the right to limit the withdrawals. Further restrictions may provide that with a full redemption, 90-95% may be withdrawn at the appropriate time per the management agreement, with the remaining tail piece distributed after the completion of the fund's annual audit. Most funds retain the right to elect to suspend distributions when it is impossible to determine net asset values or other emergency situations.

(g) This category includes investments in private equity partnerships, venture capital partnerships, real estate partnerships, distressed debt partnerships, early stage equity investments and oil and gas partnerships. The fair value of the investments in this category has been estimated using the net asset value per share of the investments. All investments in this category cannot be redeemed other than by liquidation of partnerships over the estimated time period of 2012 through 2027. Restrictions are such that investment must be held until the partnership ends or interests are sold on secondary markets. Investments representing approximately 1% of the total investments in this category can be redeemed when shares are distributed and restrictions lifted. Restrictions relating to these investments include a provision where there is no right to sell partnership interests until shares are distributed.

NOTE 4 – FAIR VALUE MEASUREMENT (Continued)

The following table represents the Foundation's level 3 financial instruments for the year ended March 31, 2015, the valuation technique used to measure the fair value of the financial instruments and the significant unobservable inputs and the ranges of values for those inputs:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range
Beneficial interest in charitable remainder trusts	5,085,848	Income Approach	Discount rate	1.8%
			Donors' life expectancy	Based on donors' age
Assets held in charitable remainder trusts	98,343	Income Approach	Discount rate	1.94% - 2.54%
			Donors' life expectancy	Based on donors' age
Charitable gift annuities	539,203	Income Approach	Discount rate	1.80% - 8.80%
			Donors' life expectancy	Based on donors' age
Obligations under trusts	65,900	Income Approach	Discount rate	1.94% - 2.54%
			Donors' life expectancy	Based on donors' age

NOTE 5 – PLEDGES AND CONTRIBUTIONS RECEIVABLE

Pledges and contributions receivable at March 31, 2015 and 2014 consisted of the following:

	2015	2014
Future value of pledges and contributions receivable	$ 1,174,525	$ 1,364,523
Less unamortized discount on pledges and contributions receivable	(152,500)	(155,777)
Pledges and contributions receivable, net	**$ 1,022,025**	**$ 1,208,746**

NOTE 5 – PLEDGES AND CONTRIBUTIONS RECEIVABLE (Continued)

At March 31, 2015, pledges and contributions receivable are expected to be realized in the following periods:

Less than one year	$ 177,400
One to five years	697,125
More than five years	300,000
	1,174,525
Less unamortized discount	(152,500)
Total	**$ 1,022,025**

NOTE 6 – PLEDGES RECEIVABLE – ESTATE NOTES

The Foundation records revenue in connection with various permanently restricted irrevocable planned gifts as the pledges are made. All of these pledges are due upon the death of the donor and are initially recorded at their present value based on the life expectancy of the donor, according to actuarial tables. The discount on the irrevocable estate pledges is amortized based on the schedule of estimated fair value of the note each year. The discount rate used ranges from 1.94% to 2.54%. During the fiscal years ended March 31, 2015 and 2014, the Foundation recorded new estate notes in the amount of $1,114,517 and $1,352,458, respectively.

Pledges receivable – estate notes at March 31, 2015 and 2014 consisted of the following:

	At March 31, 2014	Current Year New Pledges	Amortization	Payments and Other Changes	At March 31, 2015
Future value of pledges receivable – estate notes	$46,748,620	1,413,170	-	(859,806)	47,301,984
Unamortized discount on pledges receivable	(23,389,063)	(770,243)	1,088,651	-	(23,070,655)
Allowance for uncollectible accounts	(197,000)	-	-	(25,000)	(222,000)
Total pledges receivable – estate notes, net	**$23,162,557**	**$ 642,927**	**$ 1,088,651**	**$ (884,806)**	**$24,009,329**

NOTE 6 – PLEDGES RECEIVABLE – ESTATE NOTES (Continued)

Estate notes are valued based upon the donors' life expectancy and are due upon the death of the donor. Accordingly, the timing and ultimate collectability of these estate notes cannot be accurately determined. The Foundation has determined that the allowance for uncollectible accounts is sufficient to cover estimated amounts in the future that are uncollectible.

NOTE 7 – PREPAID DISTRIBUTION

On April 1, 2009, the Foundation entered into an accelerated distribution agreement in the amount of $5,000,000 to one of its Resident Companies. The prepaid distribution is offset by a waiver of all future regular distributions from the Foundation to the Resident Company and may be refunded to the Foundation by other sources. Prepaid funds earn interest at 6% per annum of the average accelerated distribution balance and shall accumulate as the incremental addition balance.

On March 28, 2012, the Foundation entered into a second accelerated distribution agreement in the amount of $1,500,000 to the same Resident Company. This prepaid distribution is also offset by a waiver of all future distributions from the Foundation to the Resident Company and may be refunded to the Foundation by other sources. These prepaid funds earn interest at 7% per annum of average accelerated distribution balance and shall accumulate as the incremental addition balance. Per the third agreement below, dated May 16, 2014, the interest rate on the second accelerated distribution was adjusted to 7% per annum from 8% per annum.

On May 16, 2014, the Foundation entered into a third accelerated distribution advance in the amount of $1,500,000 to the same Resident Company. This prepaid distribution is offset by a waiver of all future distributions from the Foundation to the Resident Company and may be refunded to the Foundation by other sources. These prepaid funds earn interest at 7% per annum of the average accelerated distribution balance and shall accumulate as the incremental additional balance.

As of March 31, 2015 and March 31, 2014, the aggregate outstanding balances amounted to $4,285,537 and $3,582,540, respectively, and are included in prepaid expense and other assets in the accompanying statement of financial position. For the year ended March 31, 2015 and March 31, 2014, interest income earned on these balances amounted to $331,267 and $278,643, respectively.

NOTE 8 – FUNDS HELD FOR OTHERS

Funds held for others consisted of assets held by the Foundation for management and investment purposes and were comprised as follows:

	March 31, 2015	March 31, 2014
Music Center Harris Reserve Fund	$ 3,317,439	$ 4,154,785
Music Center Harris Dance Fund	3,341,400	3,523,607
Los Angeles Philharmonic Fund II	185,227,397	182,150,662
Center Theatre Group Reserve Fund	28,024,481	29,920,101
Los Angeles Opera Fund	14,896,151	13,086,543
Performing Arts Center, Los Angeles County Fund – Blue Ribbon	590,019	556,511
Performing Arts Center, Los Angeles County Fund	16,172,351	15,205,057
Total	**$251,569,238**	**$248,597,266**

The Resident Companies reimburse the Foundation for certain administrative expenses based on each Resident Company's share of assets under management. During the fiscal year ended 2015, the fee, which is calculated based on prior-year administrative expenses, was 18.5 basis points (0.185%). Administrative fees reimbursed for the fiscal years ended March 31, 2014 and 2013 were $450,265 and $431,529, respectively. The Resident Companies also reimburse the Foundation for investment management consulting services based on assets under management and pay all asset management and bank fees attributed to each Resident Company's fund. Investment management consulting fees reimbursed for the fiscal years ended March 31, 2015 and 2014 were $250,377 and $248,009, respectively, which were included within the administrative service fees line on the Statement of Activities.

Funds held for others are comprised as follows:

	March 31, 2015	March 31, 2014
Cash and cash equivalents	$ 11,403,793	$ 11,575,416
Stock and stock funds	175,243,943	171,241,596
Bond funds	18,259,034	17,160,182
Funds held for others within separate accounts	204,906,770	199,977,194
Partnership interests and other funds	46,662,468	48,620,072
Total funds held for others	**$251,569,238**	**$248,597,266**

NOTE 9 – NET ASSETS OF THE GENERAL AND LAPA FUNDS

The Resident Companies' interest in the net assets of the Foundation by net asset class is as follows:

	Temporarily Restricted	Permanently Restricted	Total
General fund			
Music Center Foundation	$ 27,917,672	$ 25,434,794	$ 53,352,466
Music Center	3,714,660	23,233,311	26,947,971
LAPA	5,413,255	18,607,546	24,020,801
CTG	4,720,098	13,822,068	18,542,166
L.A. Opera	1,895,248	10,708,356	12,603,604
Master Chorale	311,516	2,541,608	2,853,124
CalArts/REDCAT	140,976	350,000	490,976
General fund total	44,113,425	94,697,683	138,811,108
LAPA fund	16,360,893	16,635,712	32,996,605
Total general and LAPA funds	**$ 60,474,318**	**$ 111,333,395**	**$ 171,807,713**

The return objectives, strategies employed for achieving the objectives, the spending policy of the Foundation and its interpretation of UPMIFA are described in Note 2 to the financial statements.

The disclosures regarding the reconciliation of the beginning and ending balances of the Foundation's endowment funds by net asset class as required by ASC 958, "Reporting Endowment Funds," are located on the statement of activities on page 5 of the financial statements.

All temporarily restricted and permanently restricted net assets are donor-restricted endowment funds and are not board-designated endowment funds.

NOTE 10 – FUNCTIONAL EXPENSES

The costs of providing the Foundation's various programs and other activities have been summarized on a functional basis below. Certain costs have been allocated among the program service, management and general and fundraising expenses based on management's estimates.

	March 31, 2015	March 31, 2014
Program service	$ 6,113,107	$ 5,932,227
Management and general	309,329	293,203
Fundraising	213,740	233,077
Total	**$ 6,636,176**	**$ 6,458,507**

NOTE 11 – RELATED PARTY TRANSACTIONS

Expenses
The Music Center provides certain administrative services and pays certain other expenses, including payroll, on behalf of the Foundation. All such expenses were reimbursed by the Foundation. Expenses charged by the Music Center for March 31, 2015 and March 31, 2014 were $510,481 and $488,057, respectively. The Music Center also charged the Foundation $5,555 for rent of office space for the years ended March 31, 2015 and March 31, 2014.

NOTE 12 – PENSION PLANS

The Foundation established a 401(k) plan on December 1, 2008 that covers its employees who are at least 21 years of age and who have been employed at the Foundation for at least one year and work a minimum of 1,000 hours each year. Under the terms of the plan, the Foundation contributes 10% of the employees' compensation to its 401(k) plan. Benefits are 100% vested after completing six years of service. Prior to the establishment of the 401(k) plan, the Foundation had a defined contribution money purchase pension plan that was restated and incorporated into the 401(k) plan on April 1, 2009. Total pension expense was $35,800 and $35,021 for the fiscal years ended March 31, 2015 and 2014, respectively, which was included on the salaries and benefits line on the Statement of Activities.

The Foundation implemented a non-qualified, non-ERISA and discriminatory 457(b) plan for the benefit of a key employee on April 9, 2010. Under the terms of the agreement, the plan is solely funded by salary deferrals between the Foundation and the key employee and remains the property of the Foundation until paid out at retirement.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 11, 2015, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION – AUDITED

THE MUSIC CENTER FOUNDATION

(A NONPROFIT ORGANIZATION)

SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION

March 31, 2015

			Funds Held for Others									
	General Fund	Los Angeles Philharmonic Association	Harris Reserve Fund	Harris Dance Fund	Los Angeles Philharmonic Fund II	Center Theatre Group	Los Angeles Opera Fund	Performing Arts Center Los Angeles County Blue Ribbon Fund	Performing Arts Center Los Angeles County Fund	Combined Total	Less Funds Held for Others	Combined Total Less Funds Held for Others
Assets												
Cash	$ 5,509,968	$ 1,598,267	$ 157,554	$ 169,014	$ 8,515,555	$ 1,059,407	$ 717,886	$ 85,417	$ 698,960	$ 18,512,028	$ 11,403,793	$ 7,108,235
Investments												
Stocks and stock funds												
U.S. large cap equities	14,204,634	4,239,668	660,884	545,323	29,752,059	3,546,562	2,965,357	105,536	2,895,053	58,915,076	40,470,774	18,444,302
U.S. small cap equities	3,690,717	1,101,571	171,714	141,689	7,730,325	921,486	770,473	27,421	752,207	15,307,603	10,515,315	4,792,288
International equities	11,462,471	3,421,213	533,302	440,051	24,008,513	2,861,911	2,392,904	85,163	2,336,172	47,541,700	32,658,016	14,883,684
Emerging market equities	13,742,865	4,101,843	639,400	527,596	28,784,871	3,431,272	2,868,958	102,106	2,800,940	56,999,851	39,155,143	17,844,708
Equity hedge funds	5,091,418	1,519,639	236,883	195,462	10,664,138	1,271,208	1,062,884	37,828	1,037,684	21,117,144	14,506,087	6,611,057
Commodities	1,946,846	581,077	90,579	74,741	4,077,731	486,082	406,423	14,465	396,788	8,074,732	5,546,809	2,527,923
Absolute return	11,369,033	3,393,324	528,955	436,464	23,812,804	2,838,581	2,373,398	84,469	2,317,128	47,154,156	32,391,799	14,762,357
Bond funds	6,408,646	1,912,793	298,168	246,032	13,423,114	1,600,089	1,337,868	47,614	1,306,149	26,580,473	18,259,034	8,321,439
Partnership interests and other funds	34,296,211	11,223,186	-	565,028	34,458,287	10,007,883	-	-	1,631,270	92,181,865	46,662,468	45,519,397
Due from resident companies	468,492	-	-	-	-	-	-	-	-	468,492	-	468,492
Pledges and contributions receivable	1,022,025	-	-	-	-	-	-	-	-	1,022,025	-	1,022,025
Pledges receivable – estate notes, net	24,009,349	-	-	-	-	-	-	-	-	24,009,349	-	24,009,349
Split-interest agreements												
Beneficial interests in charitable remainder trusts, net	5,085,848	-	-	-	-	-	-	-	-	5,085,848	-	5,085,848
Assets held in charitable remainder trust	98,343	-	-	-	-	-	-	-	-	98,343	-	98,343
Charitable gift annuities	539,203	-	-	-	-	-	-	-	-	539,203	-	539,203
Prepaid expenses and other assets												
Other assets	196,858	-	-	-	-	-	-	-	-	196,858	-	196,858
Property and equipment, net	9,978	-	-	-	-	-	-	-	-	9,978	-	9,978
Prepaid expenses	80,547	-	-	-	-	-	-	-	-	80,547	-	80,547
Prepaid distribution	4,285,538	-	-	-	-	-	-	-	-	4,285,538	-	4,285,538
Prepaid insurance	7,959	-	-	-	-	-	-	-	-	7,959	-	7,959
Total assets	**$ 143,526,949**	**$ 33,092,581**	**$ 3,317,439**	**$ 3,341,400**	**$ 185,227,397**	**$ 28,024,481**	**$ 14,896,151**	**$ 590,019**	**$ 16,172,351**	**$ 428,188,768**	**$ 251,569,238**	**$ 176,619,530**
Liabilities and net assets												
Accounts payable and accrued expenses	$ 247,822	$ 22,023	$ 2,153	$ 2,137	$ 119,860	$ 19,722	$ 302,320	$ 375	$ 10,397	$ 726,809	$ 456,964	$ 269,845
Distributions payable	3,835,915	73,956	-	161,568	-	-	-	-	-	4,071,439	161,568	3,909,871
Obligations under annuities and trusts	632,101	-	-	-	-	-	-	-	-	632,101	-	632,101
Total liabilities	4,715,838	95,979	2,153	163,705	119,860	19,722	302,320	375	10,397	5,430,349	618,532	4,811,817
Net assets	131,872,002	32,253,495	4,152,057	3,361,459	182,032,431	29,900,994	13,227,796	556,135	15,195,133	412,551,502	248,426,005	164,125,497
Change in net assets	6,939,109	743,107	(836,771)	(183,764)	3,075,106	(1,896,235)	1,366,035	33,509	966,821	10,206,917	2,524,701	7,682,216
Total net assets	138,811,111	32,996,602	3,315,286	3,177,695	185,107,537	28,004,759	14,593,831	589,644	16,161,954	422,758,419	250,950,706	171,807,713
Total liabilities and net assets	**$ 143,526,949**	**$ 33,092,581**	**$ 3,317,439**	**$ 3,341,400**	**$ 185,227,397**	**$ 28,024,481**	**$ 14,896,151**	**$ 590,019**	**$ 16,172,351**	**$ 428,188,768**	**$ 251,569,238**	**$ 176,619,530**

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

THE MUSIC CENTER FOUNDATION

(A NONPROFIT ORGANIZATION)

SUPPLEMENTAL STATEMENT OF ACTIVITIES

March 31, 2015

	General Fund	Los Angeles Philharmonic Association	Funds Held for Others: Harris Reserve Fund	Funds Held for Others: Harris Dance Fund	Funds Held for Others: Los Angeles Philharmonic Fund II	Funds Held for Others: Center Theatre Group	Funds Held for Others: Los Angeles Opera Fund	Funds Held for Others: Performing Arts Center Los Angeles County Blue Ribbon Fund	Funds Held for Others: Performing Arts Center Los Angeles County Fund	Combined Total	Less Funds Held for Others	Combined Total Less Funds Held for Others
Revenue and gains												
Net realized and unrealized gains (losses) on investments	$ 7,596,649	$ 2,448,998	$ 146,277	$ 222,586	$ 10,905,169	$ 2,143,239	$ 551,528	$ 20,535	$ 899,352	$ 24,934,333	$ 14,888,686	$ 10,045,647
Interest	328,443	311	44	45	2,018	283	215	21	198	331,578	2,824	328,754
Dividends	544,498	167,414	26,616	20,816	1,170,013	152,931	111,064	4,093	112,011	2,309,456	1,597,544	711,912
Contributions	2,616,339	-	-	-	-	-	1,296,551	10,500	-	3,923,390	1,307,051	2,616,339
Asset transfer to Music Center Foundation	-	-	-	-	-	-	-	-	-	-	-	-
Changes in value of split-interest agreements and estate notes	984,068	-	-	-	-	-	-	-	-	984,068	-	984,068
Total revenue and gains	12,069,997	2,616,723	172,937	243,447	12,077,200	2,296,453	1,959,358	35,149	1,011,561	32,482,825	17,796,105	14,686,720
Expenses												
Trustee and bank fees	19,081	7,468	938	721	38,086	7,034	5,176	146	3,625	82,275	55,726	26,549
Consultant fees	79,831	25,518	2,537	8,828	143,135	23,006	10,829	444	12,195	306,323	200,974	105,349
Total investment expenses	98,912	32,986	3,475	9,549	181,221	30,040	16,005	590	15,820	388,598	256,700	131,898
Salaries and benefits	472,017	-	-	-	-	-	-	-	-	472,017	-	472,017
Administrative service fees	(510,487)	60,230	6,233	6,094	338,109	54,439	25,965	1,050	28,920	10,553	460,810	(450,257)
Fundraising												
Campaign marketing	8,269	-	-	-	-	-	-	-	-	8,269	-	8,269
Consulting services planned giving	4,569	-	-	-	-	-	-	-	-	4,569	-	4,569
Legal and accounting												
Accounting fees	237,111	-	-	-	-	-	-	-	-	237,111	-	237,111
Legal fees	19,323	-	-	-	-	-	-	-	-	19,323	-	19,323
Other expenses												
Board meeting expenses	5,345	-	-	-	-	-	-	-	-	5,345	-	5,345
Conference and seminars	14,925	-	-	-	-	-	-	-	-	14,925	-	14,925
Insurance premium	40,872	-	-	-	-	-	-	-	-	40,872	-	40,872
Messenger	951	-	-	-	-	-	-	-	-	951	-	951
Miscellaneous	19,865	-	-	-	-	-	-	-	-	19,865	-	19,865
Office supplies	10,894	-	-	-	-	-	-	-	-	10,894	-	10,894
Rent	5,555	-	-	-	-	-	-	-	-	5,555	-	5,555
Telephone	4,525	-	-	-	-	-	-	-	-	4,525	-	4,525
Total expenses	432,646	93,216	9,708	15,643	519,330	84,479	41,970	1,640	44,740	1,243,372	717,510	525,862
Distributions	4,698,242	1,780,400	1,000,000	411,568	8,482,764	4,108,209	551,353	-	-	21,032,536	14,553,894	6,478,642
Total net expenses	5,130,888	1,873,616	1,009,708	427,211	9,002,094	4,192,688	593,323	1,640	44,740	22,275,908	15,271,404	7,004,504
Change in net assets	**$ 6,939,109**	**$ 743,107**	**$ (836,771)**	**$ (183,764)**	**$ 3,075,106**	**$ (1,896,235)**	**$ 1,366,035**	**$ 33,509**	**$ 966,821**	**$ 10,206,917**	**$ 2,524,701**	**$ 7,682,216**

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