THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2015
INDEPENDENT AUDITORS' REPORT

PART I. FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS’ REPORT

October 5, 2015

To the Board of Directors
THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
Naples, Florida

We have audited the accompanying financial statements of THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and 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 from 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 Foundation’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 Foundation’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 THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PHILLIPS HARVEY GROUP, P.A.
Certified Public Accountants
Naples, Florida
THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

ASSETS

Cash (Note 2) $ 747,543
Pledges receivable (Note 3) 157,002
Pledges receivable – restricted 16,400
Prepaid expenses and other 3,737
Prepaid scholarships (Notes 5 and 11) 3,260,282
Community Foundation Endowment (Notes 4 and 11) 316,770
Property and equipment, net (Note 7) 53,086

Total Assets $ 4,554,820

LIABILITIES AND NET ASSETS

Liabilities:
Accounts payable and other liabilities (Note 8) $ 52,922

Total Liabilities 52,922

Commitments (Note 12) 0

Net Assets:
Unrestricted
Undesignated 310,746
Designated 75,000

Designated 385,746

Temporarily restricted (Note 9) 3,816,788
Permanently restricted (Note 10) 299,364

Total Net Assets 4,501,898

Total Liabilities and Net Assets $ 4,554,820

The accompanying notes are an integral part of these financial statements.
THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

CHANGES IN UNRESTRICTED NET ASSETS:

Support and Revenues:
Donations and grants $ 1,122,977
In-kind contributions 377,586
Special events, net of costs of $217,569 (includes revenue and expense in-kind of $108,938 and $108,475, respectively) 283,483
Interest income and other, net of unrealized losses 4,360
Net assets released from restrictions:
Satisfaction of purpose restrictions (Note 9) 558,277
Total Unrestricted Support and Revenues 1,788,406

Expenses:
Program Services:
  Educator programs 338,927
  Community engagement 305,567
  Take Stock in Children 444,839
  Literacy, grants and scholarships 558,277
  Real World Learning Model 305,283
  Total Program Services 1,952,893
Supporting Services:
  Fundraising – annual campaign 162,343
  General and administrative 119,674
  Total Supporting Services 282,017
Total Expenses 2,234,910
Increase in Unrestricted Net Assets 111,773
Unrestricted Net Assets, Beginning of Year 223,973
Transfer from Temporarily Restricted Net Assets 50,000
Unrestricted Net Assets, End of Year $ 385,746

(Continued)

The accompanying notes are an integral part of these financial statements.
THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:

Donations and grants $ 259,720
Take stock in children (TSIC) scholarships 553,599
Plus: Appreciation, net of usage, of the Florida Prepaid Scholarships 237,518
Less: Satisfaction of purpose restrictions (Note 9) (558,277)

Increase in Temporarily Restricted Net Assets 492,560
Temporarily Restricted Net Assets, Beginning of Year 3,374,228
Transfer to Unrestricted Net Assets (50,000)
Temporarily Restricted Net Assets, End of Year $ 3,816,788

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:

Permanently Restricted Net Assets, Beginning of Year $ 183,463
Contributions 115,901
Permanently Restricted Net Assets, End of Year $ 299,364

CHANGES IN TOTAL NET ASSETS:

Total Net Assets, Beginning of Year $ 3,781,664
Changes in Net Assets 720,234
Total Net Assets, End of Year $ 4,501,898

The accompanying notes are an integral part of these financial statements.
THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

INCREASE (DECREASE) IN CASH

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets  $ 720,234
Adjustments to reconcile changes in net assets to net cash provided by operating activities:
  Depreciation expense  10,441
  Realized net gain on Community Foundation endowment  (3,242)
  Unrealized loss on Community Foundation endowment  12,204
  50/50 State Match on Florida Prepaid Scholarships  (341,440)
  Increase in pledges receivable (Note 3)  (43,285)
  Increase in pledges receivable – restricted  (16,400)
  Decrease in prepaid expenses and other  500
  Increase in accounts payable and other liabilities (Note 8)  34,816

Net Cash Provided By Operating Activities  373,828

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment  (55,680)
Investment in Community Foundation endowment  (123,281)
Purchases of additional Florida Prepaid Scholarships  (345,840)
Florida Prepaid Scholarships, net of usage  449,762

Net Cash (Used in) Investing Activities  (75,039)

Net Increase in Cash  298,789
Cash, Beginning of Year  448,754
Cash, End of Year  $ 747,543

The accompanying notes are an integral part of these financial statements.
NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization
The EDUCATION FOUNDATION OF COLLIER COUNTY, INC. (the "FOUNDATION") was incorporated on July 20, 1990 under the laws of Florida as a not-for-profit private foundation. The FOUNDATION’s mission is to bring the community together to invest in innovative practices that enrich the environment for student learning. The primary source of revenue is individual and corporate donors in Collier County.

Method of Accounting
The accounts of the FOUNDATION are maintained, and the accompanying financial statements have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the FOUNDATION obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

Financial Statement Presentation
The FOUNDATION adopted FASB ASC 958-205-05. FASB ASC 958-205-05 requires that the Organization present information regarding its financial position and activities according to three classifications of net assets described as follows:

Unrestricted
All resources over which the governing board has discretionary control. The governing board of the FOUNDATION may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.

Temporarily Restricted
Resources accumulated through donations for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor have been satisfied through expenditure for the specified purpose or program or through the passage of time. See Note 9 regarding the FOUNDATION's temporarily restricted net assets.

Permanently Restricted
Endowment resources accumulated through donations that are subject to the restriction in perpetuity that the principal be invested. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments. See Note 10 regarding the FOUNDATION's permanently restricted net assets.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation
As further described below, the FOUNDATION, adopted Statement of Financial Accounting Standards FASB ASC 958-605-05 and FASB ASC 958-205-05. FASB ASC 958-605-05 requires not-for-profit organizations to distinguish between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expired as mentioned earlier. FASB ASC 958-205-05 requires classification of net assets and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Under FASB ASC 958-605-05, contributions are recognized when the donor makes a promise to give to the FOUNDATION that is, in substance, unconditional. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years, if any, are reported at the present value of the estimated cash flows, using risk-free interest rates applicable to the years in which the promises are to be received.

Pledges Receivable
Pledges receivables are stated at the amount management expects to collect from outstanding balances. Generally accepted accounting principles require management to provide for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Based on prior experience and on the aforementioned assessment of the current status of individual pledges, management elected not to provide for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance as management expects all pledges receivable amounts to be fully collectible. Alternatively, it is the FOUNDATION’s policy to utilize the direct write-off method and charge uncollectible pledges receivable to expense when management determines the pledge receivable will not be collected. Such policy does not significantly differ from generally accepted accounting principles. There was $569 written off during fiscal year end June 30, 2015.

Investments
Investments are initially recorded at cost if purchased or, if donated, at fair market value on the date received in accordance with FSAB ASC 958-320-05. Under FSAB ASC 958-320-05, the FOUNDATION carries investments at the fair value determined by the quoted market prices on the last day of the year. Investment income may be either unrestricted, temporarily or permanently restricted resources when earned, determined according to the donor’s imposed restrictions. All interest income earned during the fiscal year end June 30, 2015 was classified as unrestricted.
NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment
Property and equipment are recorded at cost when purchased or at fair market value at the time of contribution. Depreciation is primarily computed on a straight-line basis over the estimated useful lives of property and equipment generally as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computers and equipment</td>
<td>3</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>7</td>
</tr>
<tr>
<td>Program fixtures</td>
<td>5</td>
</tr>
<tr>
<td>Musical instruments</td>
<td>7</td>
</tr>
<tr>
<td>Software</td>
<td>5</td>
</tr>
</tbody>
</table>

Expenditures for routine maintenance and repairs are charged to expense as incurred.

Contributions
All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the FOUNDATION that is in substance, unconditional. The FOUNDATION reports donations of cash contributions not given for a specific purpose by the donor as unrestricted. When a donor 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 and reported in the Statement of Activities as net assets released from restrictions satisfied by payments. Non-cash donations are recorded as contributions at their estimated fair market value.

In-Kind Contributions
In-kind contributions represent the fair market values for goods and services provided for the FOUNDATION. Contributions of services are recognized only if services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing these skills, and would typically be purchased if not provided by donations. These contributions are included in the Statement of Activities under the caption labeled “in-kind contributions.”

Cash Flows
For purposes of the statement of cash flows, the FOUNDATION considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash consisted of bank deposit and money market accounts at June 30, 2015.

Income Taxes
The FOUNDATION is exempt from federal and state income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code, and similar state Code. As such, only unrelated business income, as defined by Section 512(a)(1) of the Code is subject to federal income tax.

The FOUNDATION has evaluated its tax positions and concluded that the FOUNDATION has taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of U.S. generally accepted accounting principles. The FOUNDATION’s Forms 990, Return of Organization Exempt from Income Tax, for the years 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.
NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Date of Management’s Review
In preparing the audited financial statements, the FOUNDATION has evaluated events and transactions for potential recognition or disclosure through October 5, 2015, the date which the audited financial statements were available to be issued. No subsequent events were identified requiring disclosure.

NOTE 2 - CASH
The FOUNDATION maintains its cash at various financial institutions located in Naples, Florida. Accounts at the commercial banking institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. The FOUNDATION has not experienced any losses on such accounts. Cash of the FOUNDATION exceeded the insured limit by approximately $390,000 at one of the financial institutions as of June 30, 2015. The FOUNDATION believes it is not exposed to any significant risk on bank deposit accounts.

NOTE 3 - PLEDGES RECEIVABLE
Pledges receivables at June 30, 2015 are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pledge commitments, one year or less</td>
<td>$ 157,002</td>
</tr>
<tr>
<td>Total pledges receivable</td>
<td>$ 157,002</td>
</tr>
</tbody>
</table>

The pledges receivable are stated at the net amount management expects to receive. The majority of these pledge commitments were received by the FOUNDATION subsequent to year-end, prior to the issuance date of these financial statements.

NOTE 4 - COMMUNITY FOUNDATION ENDOWMENT FUND
On July 23, 2013, the FOUNDATION established an Endowment Fund, known as the “Champions for Learning Endowment Fund” ("Fund"), in the initial amount of $183,463 with the Community Foundation of Collier County from monies received from donors. The FOUNDATION is the beneficiary of this fund and the investment is subject to gains or losses. The FOUNDATION may also receive distributions of income, subject to the Community Foundation of Collier County’s spending policy. The endowment balance at June 30, 2015 was $316,770.

The Fund is reported at fair value and consists of various mutual funds.
THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 - COMMUNITY FOUNDATION ENDOWMENT FUND (CONTINUED)

Currently, the investment policy is to invest with the Community Foundation of Collier County. The composition of endowment net assets for this fund and the changes in endowment net assets as of and for the year ended June 30, 2015 is as follows:

<table>
<thead>
<tr>
<th>ENDOWMENT ACTIVITY/TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
</tr>
<tr>
<td>Realized gains</td>
</tr>
<tr>
<td>Unrealized losses</td>
</tr>
<tr>
<td>Interest and dividends</td>
</tr>
<tr>
<td>Administrative fees</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Endowment net assets, June 30, 2015</strong></td>
</tr>
</tbody>
</table>

NOTE 5 - PREPAID SCHOLARSHIPS

The FOUNDATION has invested funds in the Florida Prepaid College Program, and has received matching funds from the State of Florida. These funds are to be used in the future to pay college tuition for low income, at risk students who are currently attending Collier County schools. Prepaid Scholarships are valued at current average tuition rates as determined by the Florida Prepaid College.

The investments at June 30, 2015 consisted of the following:

| Prepaid Scholarships | $3,260,282 |

Prepaid Scholarships at June 30, 2015 represents 471 scholarships ranging from 2004 to 2019 matriculation years.

NOTE 6 - LUCIE JENNY MACCARTHY AND CHUCK MOHLKE FUND

In 1999, the Community Foundation of Collier County received a gift from the Lucie Jenny MacCarthy Charitable Remainder Unitrust that is held and owned by Community Foundation of Collier County. It was the wish of the donor that the funds be used by The Education Foundation of Collier County, Inc. to support and enhance music education in the Collier County public school system. However, the ultimate authority over the distribution of the funds was left with the Board of Trustees of the Community Foundation of Collier County. The balance at the Community Foundation at June 30, 2015 is not reflected in the accompanying financial statements. During 2015, the FOUNDATION received grants totaling $22,885, which were recorded as temporarily restricted net assets (plus prior year net carryover of $5,956) until the satisfaction of temporary restrictions is met (see Note 9).

In addition, the Community Foundation of Collier County holds the Chuck Mohlke fund in which its interest and dividend income are available for distribution to the FOUNDATION.
NOTE 7 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at June 30, 2015 consisted of the following:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and fixtures</td>
<td>$27,716</td>
</tr>
<tr>
<td>Equipment</td>
<td>$40,766</td>
</tr>
<tr>
<td>Musical instruments</td>
<td>$9,085</td>
</tr>
<tr>
<td>Program fixtures</td>
<td>$63,000</td>
</tr>
<tr>
<td>Software</td>
<td>$25,833</td>
</tr>
<tr>
<td></td>
<td>$166,400</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: accumulated depreciation</td>
<td>$(113,314)</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>$53,086</td>
</tr>
</tbody>
</table>

Depreciation expense for the year ended June 30, 2015 totaled $10,441.

NOTE 8 - ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities at June 30, 2015 consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$24,251</td>
</tr>
<tr>
<td>Accrued wages and other</td>
<td>$28,671</td>
</tr>
<tr>
<td>Total accounts payable and accrued expenses</td>
<td>$52,922</td>
</tr>
</tbody>
</table>

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2015 consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Prepaid Scholarship Program (Note 5)</td>
<td>$3,260,282</td>
</tr>
<tr>
<td>Take Stock in Children Scholarships</td>
<td>$334,434</td>
</tr>
<tr>
<td>Lucie Jenny MacCarthy Fund (Note 6)</td>
<td>$28,841</td>
</tr>
<tr>
<td>Women in Naples Giving Support (WINGS)</td>
<td>$42,075</td>
</tr>
<tr>
<td>Schulze Foundation Grant</td>
<td>$39,301</td>
</tr>
<tr>
<td>Various grants and scholarships</td>
<td>$111,855</td>
</tr>
<tr>
<td>Total temporarily restricted net assets</td>
<td>$3,816,788</td>
</tr>
</tbody>
</table>

During 2015, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution of funds for Educator Programs</td>
<td>$94,372</td>
</tr>
<tr>
<td>Distribution of funds for Take Stock in Children</td>
<td>$355,840</td>
</tr>
<tr>
<td>Distribution of funds for Literacy, Grants and Scholarships</td>
<td>$108,065</td>
</tr>
<tr>
<td>Total satisfaction of purpose restrictions</td>
<td>$558,277</td>
</tr>
</tbody>
</table>

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THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2015 consisted of the following:

<table>
<thead>
<tr>
<th>Foundation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dellora and Norris Foundation</td>
<td>$100,000</td>
</tr>
<tr>
<td>David and Vicky Smith</td>
<td>$ 75,000</td>
</tr>
<tr>
<td>Virginia Quirk</td>
<td>$ 25,650</td>
</tr>
<tr>
<td>State of Florida</td>
<td>$ 12,500</td>
</tr>
<tr>
<td>Northern Trust</td>
<td>$ 10,000</td>
</tr>
<tr>
<td>Strong Roots Campaign</td>
<td>$ 15,000</td>
</tr>
<tr>
<td>Various contributors</td>
<td></td>
</tr>
<tr>
<td><strong>Total permanently restricted net assets</strong></td>
<td><strong>$299,364</strong></td>
</tr>
</tbody>
</table>

NOTE 11 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the FOUNDATION has ability to access and have the highest priority.

**Level 2** - Inputs that include quoted prices for similar (but not exact) assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

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

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level of input that is significant to the fair value measurement in its entirety. Consequently, the following fair value disclosure is for those assets measured at fair value on a recurring basis at June 30, 2015:

<table>
<thead>
<tr>
<th>Fair Value Measurements at Reporting Date Using:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fair Value</strong></td>
</tr>
<tr>
<td>Community Foundation</td>
</tr>
</tbody>
</table>
NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Measurements at Reporting Date Using:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value</th>
<th>Quoted Prices In Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid Scholarships</td>
<td>$ 3,260,282</td>
<td></td>
<td></td>
<td>$ 3,260,282</td>
</tr>
</tbody>
</table>

Fair Value Measurements Using Significant Unobservable Inputs (Level 3):

Balance, June 30, 2014  $ 3,022,764
Purchase of additional scholarships (including application fees of $4,400)  345,840
50/50 State Match  341,440
Appreciation, net of usage  (449,762)
Balance, June 30, 2015  $ 3,260,282

NOTE 12 - COMMITMENTS

In August 2013, the FOUNDATION entered into a three-year operating lease arrangement for its office space commencing August 1, 2013 and maturing July 31, 2016. In addition, the FOUNDATION leases a copier at $1,390 per month with the lease expiring in February 2018 and leases a phone service at $553 per month with the lease expiring in August 2017. Lease expense totaled $89,898 in 2015.

Minimum future annual base lease payments are as follows:

<table>
<thead>
<tr>
<th></th>
<th>JUNE 30.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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