College Access Foundation of California

Consolidated Financial Statements

December 31, 2014 and 2013

College Access Foundation of California

Contents

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
College Access Foundation of California

We have audited the accompanying consolidated financial statements of College Access Foundation of California (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of College Access Foundation of California as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Burr Pilger Mayer, Inc.

San Francisco, California
September 29, 2015

College Access Foundation of California

Consolidated Statements of Financial Position

December 31, 2014 and 2013

(in thousands)

	2014	2013
ASSETS		
Cash and cash equivalents	$ 6,385	$ 4,587
Investments, at fair value	460,868	439,610
Net receivables from unsettled trades	21,000	20,000
Student loans receivable, net	2,298	3,053
Other assets	672	842
Fixed assets, net	553	143
Total assets	$ 491,776	$ 468,235
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 969	$ 850
Grants payable, net	10,017	9,382
Deferred federal excise tax liability	1,512	1,435
Total liabilities	12,498	11,667
Net assets–unrestricted	479,278	456,568
Total liabilities and net assets	$ 491,776	$ 468,235

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

COLLEGE ACCESS FOUNDATION OF CALIFORNIA

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended December 31, 2014 and 2013

(in thousands)

	2014	2013
Revenue:		
Investment income, net	$ 44,389	$ 62,828
Student loan related revenue, net	271	297
Net revenue before excise and income tax expense	44,660	63,125
Less excise and income tax expense	960	1,049
Net revenue after excise and income tax expense	43,700	62,076
Expenses:		
Program expenses:		
Grants awarded and direct charitable activities	16,834	16,277
Program-related expenses	2,314	1,850
Total program expenses	19,148	18,127
Management and general expenses	1,842	1,698
Total expenses	20,990	19,825
Change in net assets	22,710	42,251
Net assets, beginning of year	456,568	414,317
Net assets, end of year	$ 479,278	$ 456,568

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

COLLEGE ACCESS FOUNDATION OF CALIFORNIA

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and 2013

(in thousands)

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 22,710	$ 42,251
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation of fixed assets	71	45
Net realized and unrealized gain on investments	(40,626)	(64,484)
Provision for loan losses	33	79
Discount for grants payable	-	31
Deferred federal excise tax	77	689
Changes in operating assets and liabilities:		
Net decrease in student loan receivable	722	783
Net decrease (increase) in other assets	171	(79)
Net increase in accounts payable and accrued liabilities	118	321
Net increase (decrease) in grants payable	635	(2,842)
Net cash used in operating activities	(16,089)	(23,206)
Cash flows from investing activities:		
Proceeds from sale of investments	49,313	46,105
Purchases of investments	(29,946)	(23,373)
Net receivables from unsettled trades	(1,000)	(191)
Purchases of property and equipment	(480)	(42)
Net cash provided by investing activities	17,887	22,499
Net increase (decrease) in cash and cash equivalents	1,798	(707)
Cash and cash equivalents, beginning of year	4,587	5,294
Cash and cash equivalents, end of year	$ 6,385	$ 4,587
Supplemental disclosure of cash flow information:		
Cash paid for excise and income taxes	$ 664	$ 311

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

1. Organization and Business

College Access Foundation of California ("CAFC") is a private foundation working to help qualified low-income students in California attend and graduate from college.

CAFC is committed to the California dream of college degrees for all our young people. CAFC believes that investing in more college degrees is both the right thing to do and key to our economic future. By identifying and making an impact at key inflection points in the systems of college access and persistence—points at which dramatic positive change can result—the Foundation is helping to remove barriers to college success and produce more college graduates for a thriving California.

Each year, CAFC awards grants to dozens of partner organizations throughout California, funding and supporting:

- Local and regional collaborations that include school districts, community colleges, four-year institutions, and business and civic leaders working to improve college access and graduation in their communities.
- Programs and organizations that offer financial aid advising and specialized support services to low-income and underrepresented students.
- Technical assistance, training, professional learning communities, promotion of best practices, and development of tools and resources for counselors and other practitioners in the field of college access and success as well as students and their families.
- College scholarships, which CAFC uses as incentives to encourage partners and other stakeholders to engage with and address CAFC's priority strategies and issues.

Established in 2005, CAFC and its wholly-owned subsidiary, CEFI Corporation ("CEFI"), together referred to as the "Foundation," are the result of series of corporate restructurings that were completed in 2006. The Foundation was funded with the assets from the sale of the nonprofit student loan company Chela Education Financing, Inc.

2. Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying Consolidated Financial Statements of the Foundation have been prepared on the accrual basis of accounting and are presented on the basis of unrestricted, temporarily restricted, or permanently restricted net assets. At December 31, 2014 and 2013, the Foundation had no temporarily or permanently restricted net assets. The Consolidated Financial Statements include the accounts of CAFC and CEFI. All significant intercompany accounts and transactions have been eliminated.

Continued

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks and money market funds with original maturities of 90 days or less.

Investments

Investments are stated at fair value. Net realized and unrealized gains or losses on investments are reflected as increases or decreases in unrestricted net assets. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses are calculated based on purchase prices. Dividend income is recorded on ex-dividend dates. Interest income from investments is recorded on an accrual basis.

Debt and equity securities with readily determinable fair values are carried at estimated fair value, based on quoted market prices. The Foundation invests in limited partnerships including diversified inflation hedges, fixed income and bond funds, balanced funds, multi-strategy endowment pools, and private equity funds that may not be immediately liquid nor have readily determinable fair values. These investments are valued at amounts reported to the Foundation by the general partners of such entities, in accordance with their established guidelines. Further, management reviews the annual forms K-1, the audited financial statements for the partnerships, reviews investment managers' valuation policies, monitors news in the public domain in connection with its investment managers, meets periodically with investment managers, and participates in quarterly investor calls. Management believes these methods provide a reasonable basis for the fair value. These values may differ significantly from values that would have been used had a readily available market existed for such investments, and the differences could be material.

Net Receivables from Unsettled Trades

Receivables from unsettled trades are amounts due from pending investment redemption requests made before December 31, 2014 and 2013. These trades were settled in January 2015 and January 2014, respectively.

Continued

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various valuation approaches. In accordance with Generally Accepted Accounting Principles ("GAAP"), a hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The Foundation classifies its financial assets and liabilities according to the following hierarchy, from (1) highest to (3) lowest in the use of observable inputs, and minimizes the use of unobservable inputs when measuring fair value:

Level 1 – quoted prices in active markets for identical investments. The types of investments in Level 1 include listed equities held in the name of the Foundation, and exclude listed equities and other securities held indirectly through commingled funds.

Level 2 – pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the investment.

Continued

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

In May 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which 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 (or its equivalent) practical expedient. For private entities, the new guidance is effective for interim and annual reporting periods that begin after December 15, 2016, with early adoption permitted. The Foundation has elected to early adopt ASU 2015-07. As a result of the early adoption of ASU 2015-07, these investments are not categorized within the fair value hierarchy.

Fair Value of Financial Instruments

The carrying amounts of cash, accounts payable, and accrued liabilities approximate fair value because of the short maturity of these financial instruments. Student loans receivable are approximately equivalent to net realizable value because the allowance for loan losses is included in the carrying amount. The carrying amount of grants payable approximates fair value because such liabilities are recorded at estimated net present value based on anticipated future cash flows.

Grants

Unconditional grants are recognized as grant expense and a liability when the Foundation's Board of Directors (the "Board") approves the grants or the Chief Executive Officer and President authorizes grants in accordance with her Board-approved authority. Unconditional grants that are expected to be paid in less than one year are measured at net settlement value. Unconditional grants that are expected to be paid in more than one year are measured at the present value of the estimated future cash flows. Grant refunds are recorded as a reduction of grant expense at the time the Foundation becomes aware the grant will be refunded.

Income Taxes

CAFC is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and Section 23701(d) of the Revenue and Taxation Code of the State of California. Since the beginning of fiscal year 2010, CAFC has been classified as a private foundation within the meaning of Section 509(a) of the Code. As such, CAFC is still exempt from federal income taxes under Section 501(c)(3) of the Code and is exempt from California franchise and/or income taxes under Section 23701(d) of the Revenue and Taxation Code. However, CAFC is subject to federal excise taxes as well as federal and state unrelated business income tax.

Continued

2. Summary of Significant Accounting Policies, continued

Income Taxes, continued

As a for-profit Delaware corporation, CEFI uses the liability method to account for income taxes. Under this method, deferred income tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Foundation recognizes interest and penalties accrued related to unrecognized tax benefits in “Management and general expenses” on the Consolidated Statements of Activities and Changes in Net Assets. No interest or penalties have been accrued as of December 31, 2014 and 2013. The Foundation follows guidance for the recognition of uncertain tax positions. Management has concluded there are no uncertain tax positions at December 31, 2014 and 2013.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Student loan related expenses and investment related expenses are included in “Student loan related revenue, net” and “Investment income, net”, respectively, on the Consolidated Statements of Activities and Changes in Net Assets. Directly identifiable expenses, such as grants awarded, certain grant-making expenses, and other costs, are charged to program and management and general expenses. Expenses related to more than one function are charged to programs, management and general expenses, student loan related expenses, and investment related expenses on the basis of periodic time studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Continued

2. Summary of Significant Accounting Policies, continued

Reclassifications

For comparative purposes, certain amounts in the prior year's Consolidated Financial Statements have been reclassified to conform to the current year presentation.

Significant Accounting Policies Associated with Student Loans

As outlined in Note 1, between 2004 and 2006, there was a corporate restructuring, sale of assets, and a wind-down of operations associated with student loans. Listed below are the significant accounting policies associated with the remaining student loan portfolio.

Student loans receivable held are carried at the principal amount outstanding, net of unamortized premiums or discounts, deferred loan fees and costs, and acquisition fair value adjustments, if any. Write-downs of the loans' carrying values attributable to credit quality are charged to the allowance for loan losses. Additionally, from time to time, certain student loans receivables that have previously been written off and deemed uncollectible are recovered.

The allowance for loan losses is maintained at a level to provide for probable losses inherent in the consumer education loan ("CEL") portfolio as of the reporting date and is established through a provision charged to student loan expenses. Management considers historical portfolio data, student loan default rates published in market reports and general economic conditions to estimate the allowance for loan losses. Loans are charged off when the collection of principal and interest is 180 days past due.

Student loan related revenue, net includes collections on previously written off loans and interest income, offset by internal and external costs directly attributable to the management and oversight of the student loan portfolio.

3. Fair Value Measurements and Investments

The following table presents investment income for the years ended December 31, 2014 and 2013 (in thousands):

	2014	2013
Interest, dividends, and other	$ 7,117	$ 2,557
Realized gains, net	34,481	25,400
Unrealized gains, net	6,145	39,084
Investment related fees and expenses	(3,354)	(4,213)
Total investment income, net	$ 44,389	$ 62,828

Continued

3. Fair Value Measurements and Investments, continued

The following tables summarize the valuation of the Foundation's assets and liabilities measured on a recurring basis as of December 31, 2014 and 2013 (in thousands):

	2014	2013
Fair value measurements:		
Cash equivalents—money market (Level 1)	$ 3,579	$ 2,529
Investments:		
Balanced global mutual fund (Level 1)	2,108	-
Investments measured using NAV:		
Fixed income and bond funds	6,843	4,150
Balanced fund	-	3,361
Multi-strategy endowment pool	417,126	398,087
Diversified inflation hedges	11,879	13,588
Private equity funds	22,912	20,424
Total investments, at fair value	460,868	439,610
Net receivables from unsettled trades (Level 2)	21,000	20,000
Total	$ 485,447	$ 462,139

There were no significant transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy during 2014 and 2013. The Foundation recognizes transfers into and out of levels on their respective transaction dates.

Continued

3. Fair Value of Measurements and Investments, continued

The Foundation uses NAV to estimate the fair value of underlying investments which a) do not have readily determinable fair values and b) prepare their financial statements consistent with the measurement principles of an investment company or have attributes of an investment company. The following table lists investments in other investment companies (in partnership or trust format) by major class as of December 31, 2014 (in thousands):

	Strategy	NAV in Funds	Number of Funds	Remaining Life	Unfunded Commitments	Redemption Notice Period	Redemption Restrictions
Assets:							
Fixed income and bond funds	Short-term fixed income	$ 6,843	2	NA	$ -	10 days	Redemptions only on last business day of any month.
Multi-strategy endowment pool	Multi-strategy[(a)]	417,126	1	NA	-	120 days	Full fund redemptions permitted annually, subject to a 10% holdback. The Foundation has a standing redemption request of 7% annually, which is not subject to any additional restrictions.
Diversified inflation hedges	Natural resources and real estate	11,879	4	0–10 years	1,065	NA	NA*
Private equity funds	Venture and buyout U.S. and international	22,912	6	5–11 years	4,620	NA	NA*
Total		$ 458,760			$ 5,685		

* Private equity fund structures with no ability to redeem.

Continued

3. Fair Value Measurements and Investments, continued

(a) The Multi-strategy endowment pool is one fund that includes investments in equities, real assets, commodities, natural resources, credit, fixed income, hedge funds and direct hedges. Equity investments strategies include long-only and long-biased, public and private equities in both domestic and international markets. Real asset investment strategies include investments in real estate, power, infrastructure, and non-resource real assets. Commodities and natural resources investment strategies are focused on liquid commodities such as metals and agricultural products and private natural resources such as timber and mining interests. Credit investment strategies are primarily non-investment grade and distressed credit. Fixed income investment strategies are United States Treasuries and Treasury Inflation Protected securities, other sovereign debt and investment grade credit. Hedge fund strategies include those that are event-driven, such as corporate merger activity and the use of long and offsetting short positions. Finally, the strategies for direct hedges include investments in currencies, gold and options such as puts and calls.

The liquidity profile for the multi-strategy endowment pool is actively managed to maintain sufficient liquidity for limited partners. At December 31, 2014, 59.4% and 68.3% of the pool was convertible to cash within one year and three years, respectively, and at December 31, 2013, 64.5% and 73.0% of the pool was convertible to cash within one year and three years, respectively.

4. Items Associated with Student Loans

The Consolidated Financial Statements of the Foundation reflect the following items associated with the student loan operations.

A. Student Loans Receivable

Accounting Standards Codification ("ASC") 310-10-50, *Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,* requires entities to provide disclosures on a disaggregated basis. The ASC defines two levels of disaggregation — portfolio segment and class of financing receivable. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. Classes of financing receivables generally are a disaggregation of a portfolio segment. The Foundation evaluates the adequacy of the allowance for loan losses for the CEL portfolio as a whole. Thus, management has determined that the CEL portfolio meets the definition of a portfolio segment. Accordingly, the portfolio segment basis disclosures required by the ASC are presented in this note for the CEL portfolio. In addition, as of December 31, 2014 and 2013, the Foundation does not have any impaired loans as defined in the accounting standards.

Continued

4. Items Associated with Student Loans, continued

A. Student Loans Receivable, continued

The following is a schedule of student loans receivable at December 31, 2014 and 2013 (in thousands):

	2014	2013
CEL loans receivable	$ 2,394	$ 3,182
Allowance for loan losses	(96)	(129)
Student loans receivable, net	$ 2,298	$ 3,053

The CEL loans have an average time to maturity of approximately six years.

B. Allowance for Loan Losses

The table below summarizes the changes in the allowance for loan loss reserve for the years ended December 31, 2014 and 2013 (in thousands):

	2014	2013
Balance at beginning of the year	$ 129	$ 175
Provision for possible losses	(31)	79
Charges to allowance	(2)	(125)
Balance at end of the year	$ 96	$ 129

Total recoveries were approximately $82,000 and $158,000 for the years ended December 31, 2014 and 2013, respectively.

C. Aging of Student Loan Receivables

The majority of student loan receivables are current, with approximately $2,331,000 and $3,039,000 of the balance being current as of December 31, 2014 and 2013, respectively. The remaining balances of $63,000 and $143,000 as of December 31, 2014 and 2013, respectively, were 30 or more days past due.

Continued

5. Grants Payable

Future minimum unconditional grants payable as of December 31, 2014 are scheduled as follows (in thousands):

2015	$ 8,062
2016	1,654
2017	398
Total unconditional grants payable	10,114
Less discounts to net present value	(97)
Net unconditional grants payable	$ 10,017

6. Employee Benefits

CAFC sponsors a 403(b) plan to which eligible employees may voluntarily contribute a percentage of their compensation. CAFC also contributes matching amounts. CAFC's 403(b) plan expense was $212,000 and $195,000, respectively, for the years ended December 31, 2014 and 2013. Beginning in 2014, CAFC also provides a contributory money purchase 401(a) plan for all eligible employees. The 401(a) plan is funded by CAFC only. CAFC's 401(a) plan expense was $59,000 for the year ended December 31, 2014. Both plans are maintained by an independent trustee.

CAFC also has an unfunded deferred compensation plan for a select group of highly compensated or management level employees under Section 457(b) of the Code. Subject to statutory limits, CAFC contributes to the plan on behalf of eligible employees that did not receive their full contributions through the 403(b) or 401(a) plans due to Internal Revenue Service ("IRS") limits covering those plans. At December 31, 2014 and 2013, respectively, CAFC held $220,000 and $151,000 in "Other assets" which are designated to pay an offsetting deferred compensation liability that is included in "Accounts payable and accrued liabilities" on the Consolidated Statements of Financial Position.

7. Excise and Income Taxes

Excise Taxes

In accordance with the applicable provisions of the Code, CAFC is required to distribute 5% of the average fair market value of its investment assets annually. However, CAFC may incrementally achieve the 5% threshold during its first five years as a private foundation. As such, CAFC was required to pay out 4% and 3% for the years ended December 31, 2014 and 2013, respectively.

Continued

7. Excise and Income Taxes, continued

Excise Taxes, continued

Additionally, CAFC is subject to an excise tax of 2% (1% if minimum payout requirements prescribed by the Code are met) on its net investment income, excluding unrealized gains, and is subject to corporate income tax rates on unrelated business income. CAFC's excise tax rate was 2% for 2014 and 2013, respectively. With respect to unrelated business income, CAFC incurred net operating losses for the years ending December 31, 2014 and 2013, respectively.

Deferred federal excise taxes arise primarily from unrealized gains on investments and have been accrued based on a 2% rate. If taxes are due, current federal excise taxes payable and federal and state unrelated business income taxes payable are included in "Accounts payable and accrued liabilities" on the Consolidated Statements of Financial Position. Conversely, if a refund is due, these accounts are included in "Other assets" on the Consolidated Statements of Financial Position. For the years ended December 31, 2014 and 2013, current federal excise taxes payable were included in "Accounts payable and accrued liabilities" and unrelated business income tax refunds were included in "Other assets."

The provision for federal excise taxes and unrelated business income taxes at December 31, 2014 and 2013 (in thousands) are:

	2014	2013
Current	$ 883	$ 360
Deferred	77	689
Total	$ 960	$ 1,049

Income Taxes

CEFI realized pre-tax income of $12,000 in 2014 and $67,000 in 2013. CEFI recognized $800 as income tax expense in 2014 based on California regulatory minimum payment requirements. Although CEFI realized pre-tax income, the only income tax expense recognized as of December 31, 2014 and 2013, respectively, was $800 in each year, as CEFI utilized operating loss carryforwards to offset income.

Continued

7. Excise and Income Taxes, continued

Income Taxes, continued

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. CEFI's deferred tax asset balances at December 31, 2014 and 2013, respectively, were $7,371,000 and $7,376,000 and are comprised entirely of net operating loss carryforwards. Based on the available objective evidence at December 31, 2014 and 2013, CEFI does not believe it is more likely than not that the net deferred tax assets will be fully realizable. Accordingly, CEFI has provided a full valuation allowance against its net deferred tax assets at December 31, 2014 and 2013. The valuation allowance decreased by $5,000 and $26,000 for the years ended December 31, 2014 and 2013, respectively.

As of December 31, 2014, CEFI had federal and state net operating loss carryforwards of approximately $18,625,000 and $17,797,000, respectively. If not utilized, the net operating loss carryforwards will expire starting in 2025 and 2017, respectively.

Utilization of net operating losses may be subject to a substantial annual limitation due to the "change of ownership" provisions of the Code Section 382. The annual limitation may result in the expiration of net operating losses before utilization.

8. Commitments, Contingencies, and Concentrations of Risk

Premises and Equipment Lease Commitments

The Foundation has a lease agreement for office space expiring in February 2019. Total rental expense for the years ended December 31, 2014 and 2013 was $210,000 and $210,000, respectively. Future minimum lease commitments under the noncancelable operating lease are (in thousands):

2015	$ 234
2016	240
2017	246
2018	253
2019	42
Total	$ 1,015

Continued

8. Commitments, Contingencies, and Concentrations of Risk, continued

Contingencies

From time to time, the Foundation may be involved as a party to certain legal proceedings and other claims arising in the normal course of its business. While litigation and claims resolution are subject to many uncertainties and cannot be predicted with assurance, it is management's opinion that any resulting losses would not have a material effect on the Foundation's Consolidated Financial Statements.

Concentrations of Risk

Financial instruments that potentially subject the Foundation to credit risk consist primarily of cash, cash equivalents, net receivables from unsettled trades, investments, and student loan receivables. The Foundation maintains cash and cash equivalents with two major financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation ("FDIC") limits.

The Foundation's credit risk is inherent principally in its investments. Adverse economic conditions either nationwide or internationally may result in a reduction of the investments carrying amount. The maximum loss on the investments would be the carrying amount in the Consolidated Financial Statements.

As of December 31, 2014 and 2013, the Foundation held investments in excess of the Securities Investor Protection Corporation ("SIPC") insurance limits. To address the risk of investments, the Foundation maintains a formal investment policy that sets out performance criteria, investment guidelines, and asset allocation guidelines, and requires review of the investment manager's performance. Investments are managed by investment managers who have responsibility for investing the funds in various investment classes. An investment advisor is also utilized. This entire process is actively overseen by the Investment Committee of the Board.

The Foundation's credit risk is also inherent in its student loans receivable. Adverse economic conditions either regionally or nationwide may result in an increase in student loan borrower defaults.

9. Subsequent Events

The Foundation evaluated subsequent events for recognition and disclosure through September 29, 2015, the date which these financial statements were issued. Effective January 1, 2015, CAFC changed its name to College Futures Foundation. Other than the name change, management concluded that no material subsequent events have occurred since December 31, 2014 that required recognition or disclosure in the Consolidated Financial Statements.