winthrop rockefeller foundation

FINANCIAL STATEMENTS
December 31, 2017 and 2016

(With Independent Auditor's Report Thereon)

Thomas & Thomas LLP
Certified Public Accountants

The Winthrop Rockefeller Foundation

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Winthrop Rockefeller Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of **The Winthrop Rockefeller Foundation** (the Foundation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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.

www.thomasthomasllp.com
Little Rock Office ♦ 201 E. Markham, Suite 500, Little Rock, Arkansas 72201 ♦ Telephone (501) 375-2025 ♦ FAX (501) 375-8704
Texarkana Office ♦ 2900 St. Michael Drive, Suite 302, Texarkana, Texas 75503 ♦ Telephone (903) 831-3477 ♦ FAX (903) 831-3482

Opinion

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the financial position of **The Winthrop Rockefeller Foundation** as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Thomas & Thomas LLP

Certified Public Accountants

May 14, 2018
Little Rock, Arkansas

Financial Statements

The Winthrop Rockefeller Foundation

STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 2,561,125	$ 6,004,590
Accrued interest receivable and other assets	192,842	147,951
Contributions receivable	22,250	22,250
Investment securities, at fair value	129,446,381	115,829,293
Other investments, at cost		
Program-related	7,611,695	6,472,931
Mission-related	1,284,068	1,132,918
Property and equipment, net	77,347	121,625
TOTAL ASSETS	$ 141,195,708	$ 129,731,558
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 116,449	$ 137,352
Grants payable	2,225,054	2,605,215
Other liabilities	237,243	187,922
Total Liabilities	2,578,746	2,930,489
NET ASSETS - UNRESTRICTED	138,616,962	126,801,069
TOTAL LIABILITIES AND NET ASSETS	$ 141,195,708	$ 129,731,558

See accompanying notes to financial statements.

The Winthrop Rockefeller Foundation

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2017 and 2016

	2017	2016
UNRESTRICTED SUPPORT, REVENUES AND GAINS		
Investment return	$ 19,395,274	$ 3,499,802
Grants and contributions	89,000	89,000
Total Support, Revenues and Gains	19,484,274	3,588,802
EXPENSES		
Program Services		
Program administration	2,090,312	1,829,098
Grants	3,578,880	3,575,680
Total Program Service Expenses	5,669,192	5,404,778
Supporting Activities		
General administration	1,264,809	1,240,939
Federal excise tax	166,042	48,227
Investment management expense	568,338	526,182
Total Supporting Activity Expenses	1,999,189	1,815,348
Total Expenses	7,668,381	7,220,126
INCREASE (DECREASE) IN NET ASSETS	11,815,893	(3,631,324)
NET ASSETS, BEGINNING OF YEAR	126,801,069	130,432,393
NET ASSETS, END OF YEAR	$ 138,616,962	$ 126,801,069

See accompanying notes to financial statements.

The Winthrop Rockefeller Foundation

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 11,815,893	$ (3,631,324)
Adjustments to reconcile decrease in net assets to net cash used in operating activities		
Depreciation	54,891	56,710
Net realized and unrealized gains on investment securities	(17,705,015)	(1,554,927)
Change in operating assets and liabilities:		
Accrued interest receivable and other assets	(44,891)	26,780
Accounts payable	(20,903)	3,612
Grants payable	(380,161)	(877,865)
Other liabilities	49,321	15,741
Net Cash Used in Operating Activities	(6,230,865)	(5,961,273)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(43,276,493)	(58,868,519)
Proceeds from sales of investment securities and principal pay downs	48,323,843	68,111,490
Purchases of program-related investments	(1,249,997)	(249,913)
Purchases of mission-related investments	(1,124,945)	(530,000)
Proceeds from sales of mission-related investments	126,755	-
Reinvestment of interest on certificates of deposit	(1,150)	(3,765)
Purchase of property and equipment	(10,613)	(25,895)
Net Cash Provided by Investing Activities	2,787,400	8,433,398
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,443,465)	2,472,125
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,004,590	3,532,465
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,561,125	$ 6,004,590

See accompanying notes to financial statements.

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS

The Winthrop Rockefeller Foundation (the "Foundation") is a private foundation incorporated as a nonprofit organization under the laws of the state of Arkansas, and is dedicated to improving the economic and social well-being of Arkansans. The Foundation is a recipient of contributions from the estate of Winthrop Rockefeller. Since inception, the Foundation has received $25,550,000 from the trust created under the will of Winthrop Rockefeller (the "Trust") in order to grow the long-term assets of the Foundation. Separate grants are provided by the Trust to support the current operations of the Foundation.

The Foundation affirms Winthrop Rockefeller's vision of a thriving and prosperous Arkansas that benefits all Arkansans. The Foundation's mission is to improve the lives of Arkansans in three inter-related areas: education, economic development, and economic, racial, and social justice. For over 40 years, the Foundation has pursued this mission through strategic grant making and partnerships, and using its voice to help close the economic and educational gaps that leave too many Arkansas families in persistent poverty. Understanding that moving Arkansas from poverty to prosperity takes time, the Foundation invests for the long term in efforts that promise a sustained and positive impact for Arkansas. The Foundation is committed to the development, promotion and support of activities, programs and organizations that address education, economic development, and economic, racial, and social justice. In 2008, the Foundation adopted *Moving the Needle*, a strategic plan that included four specific goals to guide the Foundation's efforts through 2013. In 2013, the Board reaffirmed these goals and adopted *Moving the Needle 2.0*, a continuation of the strategic plan through 2019. The needle can and must move from poverty to prosperity for all Arkansans.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

(a) Cash and Cash Equivalents
For purposes of the statements of cash flows, the Foundation considers all short-term investment funds and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(b) Investment Securities
The Foundation records purchases of investment securities at cost on the transaction trade date. Thereafter, securities are reported at fair value on the statements of financial position. Changes in fair values are recorded in the period in which they occur. Realized gains and losses on sales of securities are recognized on the transaction trade dates. Dividend income is recorded on the ex-dividend date, and interest income is accrued as it is earned. Investment return presented on the statements of activities includes dividends, interest, other investment income, as well as realized and unrealized gains and losses.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Program-Related Investments

Program-related investments represent a strategy that complements traditional grant making by extending the Foundation's ability to accomplish programmatic goals while preserving assets for future use. Program-related investments may be made in four basic forms, which include loans, loan guarantees, linked deposits and equity investments. Interest charged on any program-related investment is less than the then prevailing market rate, determined using the London Interbank Offered Rate (LIBOR) plus or minus 1%. The Board of Directors has established guidelines for selection, approval and monitoring of program-related investments. In addition, the amount of funds committed to new program-related investments in any given year may not exceed 30% of budgeted grant payments.

Program-related investments are reported at cost, as no readily determinable fair value is available, and a reasonable estimate of fair value cannot be made without incurring excessive costs. Program-related investments are evaluated annually for impairment. The carrying amounts of the program-related investments are reduced by the amount of any impairment.

(d) Mission-Related Investments

Mission-related investments represent a strategy that aligns the Foundation's investment capital with its mission by proactively cultivating and implementing investment opportunities that improve the lives of Arkansans, or focus on education, foster economic development, achieve positive impact on economic, social or racial justice or promote the environment and sustainability. Mission-related investments may be pursued across asset classes. Certain mission-related investments are reported as investment securities at fair value, while others are reported at cost if no readily determinable fair value is available, and a reasonable estimate of fair value cannot be made without incurring excessive costs. Those mission-related investments that are reported at cost are evaluated annually for impairment, and the carrying amounts of those mission-related are reduced by the amount of any impairment.

(e) Property and Equipment

Property and equipment are reported at historical cost, net of accumulated depreciation. The Foundation capitalizes additions of property and equipment in excess of $1,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets, which range from 3 to 10 years.

(f) Net Assets Classification

Generally accepted accounting principles require that the Foundation classify net assets as follows:

Unrestricted net assets – Net assets are classified as unrestricted if they are not subject to donor-imposed stipulations. However, donor-restricted contributions are reported as increases in unrestricted net assets if the restrictions are met in the same reporting period in which the contributions are received.

Temporarily restricted net assets – Net assets are classified as temporarily restricted if they are subject to donor-imposed stipulations that will be met either by action of the Foundation and/or the passage of time. The Foundation had no temporarily restricted net assets as of December 31, 2017 or 2016.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Net Assets Classification *(Continued)*

Permanently restricted net assets – Net assets are classified as permanently restricted if they are restricted by donors to be maintained by the Foundation in perpetuity. The Foundation had no permanently restricted net assets as of December 31, 2017 or 2016.

(g) Allocation of Administration Expenses

The administrative staff of the Foundation spend their time working on various charitable programs and supporting activities. The staff salaries, other compensation-related expenses, and certain other expenses are charged to the various functional classifications on the basis of time spent and expenses incurred in support of these functions.

(h) Federal Income Taxes

The Foundation is a publicly supported organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code on income related to the mission of the Foundation. However, the Foundation's net investment income is subject to excise taxes.

Accounting standards require the Foundation to evaluate tax positions and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Foundation has analyzed the tax positions taken and has concluded that as of December 31, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the financial statements. The Foundation may be subject to audit by the Internal Revenue Service; however there are currently no audits for any tax periods in progress.

(i) Grants

Grants made by the Foundation are recorded when the grants are approved by the Foundation's Board of Directors. All grantees are eligible organizations who are required to use the funds for charitable purposes. Any grant awards that have not been paid to the intended recipient as of the reporting date are reported as grants payable.

(j) 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 that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(k) Financial Instruments and Credit Risk

The Foundation maintains cash and cash equivalent balances in accounts with financial institutions and investment banking firms. The balances in these accounts may exceed applicable insured limits. Management believes that such accounts are maintained with reputable financial institutions and investment banking firms, and the Foundation has not experienced any losses in these accounts to date.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments and Credit Risk *(Continued)*

The Board of Directors has adopted a comprehensive investment policy that specifies target portfolio allocations, permissible investment vehicles, as well as monitoring benchmarks and procedures. In addition, the Board of Directors has adopted general policies relevant to performing due diligence on and continuous monitoring of mission-related investments and program-related investments. While risks related to investing, such as market risk and credit risk, cannot be avoided, management and the Board of Directors, working with reputable investment managers and advisors, believe that investment policies are prudent, properly designed and implemented to ensure the longevity of the Foundation.

(l) Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenues from Contracts with Customers (Topic 606),* requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard, and subsequently issued amendments, will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The guidance in ASU No. 2014-09 and related amendments will be effective for the Foundation on January 1, 2019. The Foundation does not anticipate that implementation of this standard and related amendments will have a material effect on the financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10).* The amendments in ASU No. 2016-01 supersede current requirements to classify equity securities with readily determinable fair values into different categories and allow equity investments that do not have readily determinable fair values to be measured at fair value either upon the occurrence of an observable price change or upon identification of impairment. The amendments of ASU No. 2016-01 also exempt nonpublic entities from disclosing fair value information for financial instruments measured at amortized cost on the balance sheet. The amendments of ASU No. 2016-01 will be effective for the Foundation on January 1, 2020. The Foundation is currently evaluating the effect that implementation of this standard will have on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). Under ASU No. 2016-02, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The guidance in ASU No. 2016-02 will be effective for the Foundation on January 1, 2020. The Foundation is currently evaluating the effect that implementation of this standard will have on the financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Recently Issued Accounting Standards (C*ontinued)*

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The purpose of ASU No. 2016-14 is to amend existing financial reporting standards applicable to not-for-profit entities to improve the usefulness, relevance and clarity of information presented in financial statements and to enhance the information presented in the notes thereto. This new standard, which will be effective for the Foundation as of January 1, 2018, will require presentation of two classes of net assets (net assets with donor restrictions and net assets without donor restrictions). ASU No. 2016-14 will also require enhanced disclosures including, but not limited to, disclosures about governing board designations and other self-imposed limits on the use of resources, as well as the composition of net assets with donor restrictions at the end of the period and how those restrictions affect the use of resources; qualitative information communicating how liquid resources are managed to meet cash needs for general expenditures within one year of the financial reporting date; and quantitative information communicating the availability of resources to meet cash needs for general expenditures within one year of the financial reporting date. While this new standard will significantly impact the presentation of the financial statements and the content of disclosures in the notes to the financial statements, it is not expected to have a material impact on the recording or measurement of amounts presented therein. The Foundation is currently evaluating the effect that implementation of this standard will have on the financial statements.

(m) Recently Adopted Accounting Standards

In May 2015, the FASB issued ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).* ASU No. 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 No. 2015-07 also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The standard was effective for the Foundation as of January 1, 2017, and must be applied retrospectively. Implementation of this standard did not have an impact on the Foundation's financial statements, but did affect certain investment disclosures (see Note 5).

(n) Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to presentation in the 2017 financial statements.

NOTE 3: PROGRAM-RELATED INVESTMENTS, AT COST

At December 31, 2017 and 2016, the Foundation's program-related investments include the following:

	2017	2016
Southern Bancorp, Inc.[(a)]		
Common stock, voting	$ 246,832	$ 700,000
Common stock, nonvoting	5,157,347	4,454,182
Total Southern Bancorp, Inc.	5,404,179	5,154,182
Hope Enterprise Corp., note receivable[(b)]	1,000,000	1,000,000
Diamond State Ventures II, LP[(c)]	105,432	184,434
Communities Unlimited, Inc., note receivable[(d)]	32,700	42,956
Financing Ozarks Rural Growth and Economy, note receivable[(e)]	69,384	91,359
Southern Community Partners, note receivable[(f)]	1,000,000	-
Total program-related investments	$ 7,611,695	$ 6,472,931

[(a)] Southern Bancorp, Inc. is a bank holding company established for the purpose of conducting rural economic development activities in Arkansas. The Foundation holds 128,000 shares of common stock, voting, and 1,853,546 shares of common stock, nonvoting, at December 31, 2017.

[(b)] Hope Enterprise Corp. provides financial services in Arkansas, Louisiana, Mississippi and the Greater Memphis area of Tennessee for small businesses, homebuyers and community development in low-income communities. The note receivable was noninterest bearing for the first year. Beginning April 1, 2016, interest accrues at 1% and quarterly interest only payments became due commencing June 30, 2016, with all unpaid principal and accrued interest due March 31, 2025.

[(c)] Diamond State Ventures II, LP is a venture capital fund established to make equity and subordinated debt investments in early and expansion stage businesses in Arkansas and very selectively in surrounding states.

[(d)] Communities Unlimited, Inc. is a multi-state community development organization and community development financial institution established in 1975 to move people and communities in persistently poor counties in the south toward prosperity. The note receivable bears interest at one year LIBOR plus 1%, receivable in quarterly principal and interest payments, with all unpaid principal and accrued interest due October 1, 2021.

[(e)] Financing Ozarks Rural Growth and Economy (FORGE) is a community based revolving loan fund established to help build sustainable small communities. The note receivable bears interest at LIBOR plus 1%, receivable in quarterly principal and interest payments, with all unpaid principal and accrued interest due December 1, 2020.

[(f)] Southern Community Partners is a community development financial institution that provides lending, financial development services and public policy advocacy in economically distressed communities. The note receivable bears no interest for the first year and begins to accrue interest at 1% on February 1, 2018. Quarterly interest only payments are due commencing January 31, 2019, with all unpaid principal and accrued interest due January 31, 2027.

NOTE 4: MISSION-RELATED INVESTMENTS

At December 31, 2017 and 2016, the mission-related investments include the following:

	2017	2016
At cost:		
Diamond State Ventures III, LP[(a)]	$ 825,000	$ 675,000
Certificates of deposit[(b)]	459,068	457,918
	1,284,068	1,132,918
At fair value:		
Domestic bond mutual funds	5,755,271	5,596,340
Domestic equities mutual funds	5,586,658	4,361,067
Municipal bond mutual funds	5,904,594	5,747,516
Domestic hedge funds	3,030,626	-
International equities mutual funds	29,539,168	15,356,795
International hedge funds	4,986,779	3,099,935
Bain Capital Double Impact Fund, LP[(c)]	163,771	-
Material Impact Fund I, LP[(d)]	345,000	-
Owl Ventures II, LP[(e)]	355,627	80,000
SJF Ventures IV, LP[(f)]	154,384	200,000
	55,821,878	34,441,653
Total mission-related investments	$ 57,105,946	$ 35,574,571

[(a)] Diamond State Ventures III, LP (Diamond III) is a venture capital fund established to make equity and subordinated debt investments in early and expansion stage businesses in Arkansas and very selectively in surrounding states. As of December 31, 2017, the Foundation has unfunded commitments of $175,000 to Diamond III.

[(b)] Mission-related investments includes two certificates of deposit, one of which is in the amount of $202,617 and is pledged as security for a bank loan to Better Community Development that matures in May 2018. The second certificate of deposit, in the amount of $256,451 at December 31, 2017, is invested with an affiliate of Hope Enterprise Corp. and is structured so the Foundation receives half the interest earned and half the interest earned is reinvested in the communities in which Hope Enterprise Corporation operates.

[(c)] Bain Capital Double Impact Fund, LP (Bain Capital) is a venture capital fund whose strategy is to develop differential insights and drive meaningful change for mission-driven companies seeking growth capital or middle market private equity. As of December 31, 2017, the Foundation has unfunded commitments of $1,796,810 to Bain Capital.

[(d)] Material Impact Fund I, LP (Material Impact) is a venture capital firm dedicated to investing in companies that provide high-value products enabled by material innovation. As of December 31, 2017, the Foundation has unfunded commitments of $1,155,000 to Material Impact.

[(e)] Owl Ventures II, LP (Owl II) is a venture capital fund that invests in leading education technology companies, with a focus on entrepreneurs that seek to meaningfully improve student achievement. As of December 31, 2017, the Foundation has unfunded commitments of $620,000 to Owl II.

[(f)] SJF Venture IV, LP (SJF IV) is a venture capital fund that invests in companies concerned with making a difference across a range of sectors, including the environment and education. As of December 31, 2017, the Foundation has unfunded commitments of $1,800,000 to SJF IV.

NOTE 5: FAIR VALUE MEASUREMENTS

(a) Fair Value Measurements

Generally accepted accounting principles provide a framework for measuring fair value and applies to all financial instruments that are being measured and reported on a fair value basis. Fair value is 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. The Foundation utilizes valuation techniques to determine fair values that maximize the use of observable inputs and minimize the use of 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 reliability of the information used to determine fair values, as follows:

Level 1 – Fair values are determined based on unadjusted quoted prices for identical assets in active markets that the Foundation has the ability to access.

Level 2 – Fair values are determined based on inputs other than quoted prices that are observable for the asset, either directly or indirectly. These might include quoted prices for similar assets in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset, or inputs that are derived principally from or corroborated by market data by correlation or other means. If the asset has a specified (contractual) term, the input must be observable for substantially the full term of the asset or liability.

Level 3 – Fair values are determined based on valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and are not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Not Classified – Certain investments for which there is no readily determinable fair value are measured at fair value using the net asset value per share (or its equivalent) practical expedient. These investments are not classified in the fair value hierarchy.

For the years ended December 31, 2017 and 2016, the application of valuation techniques used to determine the fair values of investment securities has not changed. The following is a description of the valuation methodologies used by the Foundation:

Domestic Common Stock, International Common Stock and International Real Estate Trusts – The fair values of these investments are based on the closing price reported on the active market on which the individual securities are traded.

Domestic Equities Mutual Funds, International Equities Mutual Funds, Municipal Bond Mutual Funds and Government Agency Mutual Funds – The fair values of these investments are based on the net asset values per share of the funds as of the close of

NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

(a) Fair Value Measurements *(Continued)*

business on the reporting date. Those classified as level 1 are open ended mutual funds that have an active market on which the shares are traded. Those classified as level 2 are closed funds that do not have an active market on which the shares are traded.

International Hedge Funds, Domestic Hedge Funds, the Domestic Hedge Fund of Funds and Venture Capital Funds – The fair values of these investments are determined based on the net asset value of the units held, as reported by the fund advisor, because these securities are not readily marketable. Net asset value is used as a practical expedient as permitted under generally accepted accounting principles.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(b) Fair Value on a Recurring Basis

The following table presents assets measured at fair value on a recurring basis at December 31, 2017 and 2016:

	Fair Value Measurements at Report Date Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Classified	Total
December 31, 2017					
Domestic common stock	$ 4,677,129	$ -	$ -	$ -	$ 4,677,129
International common stock	214,507	-	-	-	214,507
Domestic equities mutual funds	5,586,658	24,106,883	-	-	29,693,541
International equities mutual funds	51,522,797	-	-	-	51,522,797
International real estate trusts	24	-	-	-	24
Domestic bond mutual funds	5,755,271	-	-	-	5,755,271
Municipal bond mutual funds	5,904,594	-	-	-	5,904,594
Government agency mutual funds	-	7,647,825	-	-	7,647,825
International hedge funds	-	-	-	17,555,114	17,555,114
Domestic hedge funds	-	-	-	5,456,797	5,456,797
Venture capital funds	-	-	-	1,018,782	1,018,782
Total	$ 73,660,980	$ 31,754,708	$ -	$ 24,030,693	$ 129,446,381

NO*TE 5: FAIR VALUE MEASUREMENTS (Continued)*

(b) Fair Value on a Recurring Basis *(Continued)*

	Fair Value Measurements at Report Date Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Classified	Total
December 31, 2016					
Domestic common stock	$ 10,513,696	$ -	$ -	$ -	$ 10,513,696
International common stock	42,488	-	-	-	42,488
Domestic equities mutual funds	4,361,067	20,102,665	-	-	24,463,732
International equities mutual funds	32,859,702	9,444,136	-	-	42,303,838
International real estate trust	3,820,090	-	-	-	3,820,090
Domestic bond mutual funds	5,596,340	-	-	-	5,596,340
Municipal bond mutual funds	5,747,516	-	-	-	5,747,516
Government agency mutual funds	-	10,242,204	-	-	10,242,204
International hedge funds	-	-	-	10,372,727	10,372,727
Domestic hedge funds	-	-	-	2,103,024	2,103,024
Domestic hedge fund of funds	-	-	-	343,638	343,638
Venture capital funds	-	-	-	280,000	280,000
Total	$ 62,940,899	$ 39,789,005	$ -	$ 13,099,389	$ 115,829,293

There were no transfers into or out of Level 3 investments during the years ended December 31, 2017 or 2016. Certain investments which had been previously classified as Level 3 are no longer subject to the classification hierarchy, as required under ASU No. 2015-07.

(c) Fair Value Using Net Asset Value per Share as Practical Expedient

The table on the following page presents information to help the readers of the financial statements understand the nature, characteristics and risks of the investments which are measured at fair value using net asset value per share as a practical expedient at December 31, 2017 and 2016, including any limitations on liquidity.

NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

(c) Fair Value Using Net Asset Value per Share as Practical Expedient *(Continued)*

		Market Value		Exit Without Fees		
Fund Name	**Investment Strategy**	**12/31/2017**	**12/31/2016**	**Exit Frequency**	**Next Available Redemption**	**Notice (days)**
Domestic Hedge Funds						
CIM Enterprise Loan Fund, L.P.	Credit Opportunities, Direct Lending, U.S. Sector	$ 3,030,624	$ -	Monthly	1/31/2018	30
Renaissance Institutional Equities Fund	U.S. Equity ex Small Cap	2,426,171	2,103,024	Calendar Quarter	12/31/2017	45
Domestic Hedge Fund of Funds						
Mesirow Hindsale Avenue Fund	Diversified Fund of Funds	-	343,638	Calendar Quarter	n/a	95
International Hedge Funds						
Coatue Offshore Fund, Ltd.	Long/short equity, Sector-Specific Fund, TMT Sector, Global Sector	1,680,132	1,016,037	Annually - Anniversary of Purchase	9/28/2018	60
Lakewood Capital Offshore Fund, Ltd. [(a) (b)]	Long/Short Equity, Value Hedge Fund, Global Sector	1,702,876	1,107,260	Calendar Quarter	9/28/2018	60
SDP Flagship Offshore Fund, Ltd. [(a) (b)]	Multi-strategy, Event Driven, Global Sector	1,730,414	1,054,793	25% Calendar Quarter	9/30/2018	90
Long Pond Offshore, Ltd.	Long/Short Equity, Sector-Specific Fund, Real Estate Sector, Global Sector	3,265,972	-	12.5% Calendar quarter	9/30/2018	60
Complus Asia Macro Fund Ltd. [(e)]	Global Macro, Discretionary, Asia Pacific Sector Hedge Fund, Pan-Asia Sector Hedge Fund	1,615,599	1,547,076	Calendar quarter	9/30/2018	63
Fort Global Offshore Fund, SPC	Managed Futures, Global Sector	1,039,976	964,065	Daily	1/3/2018	2
Hollis Park Opportunities Fund Ltd. [(c)]	Credit opportunities, Structured Credit, Global Sector	1,608,885	1,541,850	25% Calendar quarter	9/30/2018	30
Newtyn TE Partners, LP [(c)]	Long/Short Equity, Value Hedge Fund, U.S. Sector	1,533,368	1,583,562	Annually - December	12/31/2018	184
Varadero International, Ltd. [(d)]	Credit Opportunities, Structured Credit, U.S. Sector	1,677,894	1,536,590	25% Calendar quarter	9/30/2019	90
Elizabeth Park Capital Master Fund [(e)]	Long/short Equity, Sector-Specific Fund, Financials Sector, U.S. Sector	1,700,000	-	Monthly	12/31/2019	90
Raveneur Offshore Fund Ltd.	Multi-strategy, Event Driven, Global Sector	-	21,494	33.33% Calendar Quarter	n/a	90
Venture Capital Funds						
Bain Capital Double Impact Fund, LP [(f)]	Hybrid Buyout and Growth Fund	163,771	-	None	n/a	n/a
Material Impact Fund I, LP [(f)]	Equity Investments, Specific Focus Investments	345,000	-	None	n/a	n/a
Owl Ventures II, LP [(f)]	Technology and Tech-enabled Services Investments	355,627	80,000	None	n/a	n/a
SJF Ventures IV, LP [(f)]	Diversified, Expansion Stage Venture Investments	154,384	200,000	None	n/a	n/a
Total		$ 24,030,693	$ 13,099,389			

[(a)] Liquidity is partially subject to a soft lock-up period of 12 months, with 12 months remaining at December 31, 2017.
[(b)] Liquidity is partially subject to a soft lock-up period of 12 months, with 8 months remaining at December 31, 2017.
[(c)] Liquidity is subject to a hard lock-up period of 12 months, which has expired as of December 31, 2017.
[(d)] Liquidity is subject to a hard lock-up period of 36 months, with 20 months remaining at December 31, 2017.
[(e)] Liquidity is subject to a hard lock-up period of 24 months.
[(f)] Withdrawal permitted only if certain conditions are present, as specified in the related partnership agreement.

NOTE 6: INVESTMENT RETURN

Investment return consists of the following for the years ended December 31:

	2017	2016
Interest and dividend income	$ 1,690,259	$ 1,944,875
Net realized and unrealized gains	17,705,015	1,554,927
Total investment return	$ 19,395,274	$ 3,499,802

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2017	2016
Office equipment and furnishings	$ 256,646	$ 263,176
Tenant improvements	122,625	122,625
Computer software and hardware	109,012	98,400
	488,283	484,201
Less accumulated depreciation and amortization	(410,936)	(362,576)
Property and equipment, net	$ 77,347	$ 121,625

NOTE 8: GRANTS PAYABLE

Grants payable are due to be paid for years subsequent to December 31, 2017, as follows:

2018	$ 1,738,211
2019	486,843
Total grants payable	$ 2,225,054

NOTE 9: EMPLOYEE BENEFIT PLAN

The Foundation provides a defined contribution retirement plan pursuant to section 403(b) of the Internal Revenue Code (the 403(b) plan) and a supplemental retirement annuity plan (SRA) to all employees. The Foundation contributes to the 403(b) plan an amount equal to 5% of each employee's salary for each pay period, regardless of whether or not the employee is making salary deferrals. Employees may defer any amount from 2% to 6% of earnings, and the Foundation will match 100% of

NOTE 9: EMPLOYEE BENEFIT PLAN (Continued)

employee contributions up to 6% of earnings. Employees may choose to make contributions over 6% into the SRA, subject to maximum amounts imposed by the Internal Revenue Code. During the years ended December 31, 2017 and 2016, the Foundation's retirement expense totaled $156,419 and $130,870, respectively.

NOTE 10: DISTRIBUTION REQUIREMENT

The Internal Revenue Code provides for additional taxes, which may be imposed upon private foundations for failure to make qualifying distributions equal to minimum investment return reduced by excise taxes within the year of receipt and the succeeding taxable year. Minimum investment return is equal to 5% of the aggregate fair market value of assets not directly used in carrying out the organization's exempt purpose. The additional taxes are 30% of the undistributed minimum investment return and 100% of such minimum investment return if it is not distributed by the earlier of the date of mailing a notice of deficiency with respect to the 30% tax or the date on which the 30% tax is assessed.

The Foundation anticipates making the required distributions in the time frame necessary to avoid additional taxes. As of January 1, 2017, the Foundation made qualifying distributions in excess of the required distributable amount, resulting in an excess distribution carryover of $3,546,404 with $1,847,793 expiring in 2020 and $1,698,611 expiring in 2021. The Foundation is currently assessing the qualifying distribution made during the year ended December 2017, to determine the amount of excess contributions made or the use of any distribution carryovers. The Foundation does not anticipate any tax liability related to the minimum distribution requirements.

NOTE 11: LEASE AGREEMENTS

In September 2008, the Foundation entered into an operating lease agreement for office facilities from which to conduct its operations. These facilities are leased under a ten-year operating lease expiring in 2019. There is an option to renew the lease for two additional five-year periods at an increased monthly rental rate.

The following is a schedule of future minimum rental payments required under the above operating lease as of December 31, 2017:

2018	$ 127,533
2019	10,658
	$ 138,191

NOTE 12: RELATED PARTIES

Certain Foundation employees and members of the Foundation's Board of Directors serve on the boards of or are employed by grantees of the Foundation. The Foundation has implemented policies to ensure that the approval or denial of grant requests is in no way directly influenced by individual Foundation employees or individual members of the Foundation's Board of Directors who have affiliations with those entities requesting consideration for award. The Foundation awarded grants of approximately $2,811,000 and $99,000 and made grant payments of approximately $1,841,000 and $344,000 to such entities during the years ended December 31, 2017 and 2016, respectively.

The Foundation received operating support grants of $89,000 from the Trust in both 2017 and 2016. Operating support grant receipts were expended for operations in the year received.

NOTE 13: SUBSEQUENT EVENTS

The Foundation has evaluated events that occurred after December 31, 2017, but prior to May 14, 2018, the date the financial statements were issued. The Foundation did not identify any events or transactions during this period of time that require recognition or disclosure in the financial statements as of and for the year ended December 31, 2017.