The Oregon Community Foundation

Consolidated Financial Statements as of and for the Years Ended December 31, 2016 and 2015, and Independent Auditors' Report

THE OREGON COMMUNITY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
The Oregon Community Foundation
Portland, Oregon

We have audited the accompanying consolidated financial statements of The Oregon Community Foundation (an Oregon not-for-profit corporation) and related supporting organizations ("The Oregon Community Foundation"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 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 auditor's 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 auditor considers internal control relevant to The Oregon Community Foundation'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 Oregon Community 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 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 The Oregon Community Foundation and related supporting organizations as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 5 to the financial statements, the financial statements include investments in real property and other investments valued at $282,002 thousand (14.5% of total assets) and $85,117 thousand (5% of total assets) as of December 31, 2016 and 2015, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners, and real estate appraisals. Our opinion is not modified with respect to this matter.

Deloitte & Touche LLP

May 4, 2017

THE OREGON COMMUNITY FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015
(In thousands)

	2016	2015
ASSETS		
CASH AND CASH EQUIVALENTS	$ 37,244	$ 28,267
INTEREST AND DIVIDENDS RECEIVABLE	2,062	1,435
INVESTMENTS	1,812,044	1,560,824
CONTRIBUTIONS RECEIVABLE—Net	18,980	27,494
ASSETS HELD IN CHARITABLE TRUSTS	69,703	70,433
ASSETS HELD IN CHARITABLE GIFT ANNUITIES	5,571	2,959
PROGRAM RELATED INVESTMENTS	2,386	2,400
OFFICE FURNITURE AND EQUIPMENT—At cost, less accumulated depreciation of $1,547 and $1,308 in 2016 and 2015, respectively	426	605
OTHER ASSETS	226	186
TOTAL	$1,948,642	$1,694,603
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 509	$ 462
Grants payable	8,405	3,187
Other	306	24
Funds held as endowment partner funds	180,626	175,618
Liabilities under charitable trust agreements	43,919	44,390
Liabilities under charitable gift annuities	3,655	2,060
Total liabilities	237,420	225,741
NET ASSETS:		
Unrestricted	1,665,299	1,414,929
Temporarily restricted	45,923	53,933
Total net assets	1,711,222	1,468,862
TOTAL	$1,948,642	$1,694,603

See notes to consolidated financial statements.

THE OREGON COMMUNITY FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In thousands)

	Unrestricted	Temporarily Restricted	Total
REVENUES AND GAINS (LOSSES):			
Gifts, grants, and contributions	$ 246,328	$ (202)	$ 246,126
Investment income (loss):			
Interest and dividends	12,006	-	12,006
Realized gains—net	9,888	-	9,888
Unrealized losses—net	57,361	-	57,361
Net gains on alternative investments	21,380	-	21,380
Investment expenses	(4,457)	-	(4,457)
Total investment income (loss)	96,178	-	96,178
Change in value of split-interest agreements	-	975	975
Other income	3,848	-	3,848
Net assets released from restrictions	8,783	(8,783)	-
Total revenues and gains (losses)	355,137	(8,010)	347,127
GRANTS AND OTHER EXPENSES:			
Grants	90,929	-	90,929
Funds expense	1,108	-	1,108
Administrative	11,747	-	11,747
Program services	983	-	983
Total grants and other expenses	104,767	-	104,767
CHANGE IN NET ASSETS	250,370	(8,010)	242,360
NET ASSETS—Beginning of year	1,414,929	53,933	1,468,862
NET ASSETS—End of year	$ 1,665,299	$45,923	$ 1,711,222

See notes to consolidated financial statements.

THE OREGON COMMUNITY FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(In thousands)

	Unrestricted	Temporarily Restricted	Total
REVENUES AND GAINS (LOSSES):			
Gifts, grants, and contributions	$ 62,228	$ 5,926	$ 68,154
Investment income (loss):			
Interest and dividends	17,777	-	17,777
Realized gains—net	6,430	-	6,430
Unrealized losses—net	(33,792)	-	(33,792)
Net gains on alternative investments	9,546	-	9,546
Investment expenses	(4,411)	-	(4,411)
Total investment income (loss)	(4,450)	-	(4,450)
Change in value of split-interest agreements	-	(6,804)	(6,804)
Other income	3,611	-	3,611
Net assets released from restrictions	23,130	(23,130)	-
Total revenues and gains (losses)	84,519	(24,008)	60,511
GRANTS AND OTHER EXPENSES:			
Grants	82,484	-	82,484
Funds expense	935	-	935
Administrative	11,642	-	11,642
Program services	1,006	-	1,006
Total grants and other expenses	96,067	-	96,067
CHANGE IN NET ASSETS	(11,548)	(24,008)	(35,556)
NET ASSETS—Beginning of year	1,426,477	77,941	1,504,418
NET ASSETS—End of year	$ 1,414,929	$ 53,933	$ 1,468,862

See notes to consolidated financial statements.

THE OREGON COMMUNITY FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In thousands)

	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 242,360	$ (35,556)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net investment (gains) losses attributable to funds held as endowment partner funds	(9,526)	3,198
Depreciation	239	232
Contributions of stock, real property, and other non-cash assets	(215,171)	(27,327)
Proceeds from sales of stock donations	23,653	15,910
Net realized gains on investments	(9,888)	(6,430)
Net unrealized (gains) losses on investments	(57,361)	33,792
Net gains on alternative investments	(21,380)	(9,546)
Change in:		
Interest and dividends receivable	(627)	(615)
Contributions receivable	8,514	15,584
Assets held in charitable trusts	730	6,709
Assets held in charitable gift annuities	(2,612)	365
Other assets	(39)	(9)
Accounts payable and accrued expenses	47	(117)
Grants payable	5,218	998
Other liabilities	282	8
Liabilities under charitable trust agreements	(471)	809
Liabilities under charitable gift annuities	1,595	387
Funds held as endowment partner funds	5,008	(12,914)
Net cash used in operating activities	(29,429)	(14,522)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal payments received on notes	77	525
Purchase of equipment	(60)	(100)
Reduction in value of fixed assets	-	116
Proceeds from sales of investments	345,516	403,322
Distributions from limited partnership investments	31,185	38,201
Purchases of investments	(291,783)	(404,888)
Additions to limited partnership investments	(46,529)	(37,780)
Net cash provided by (used in) investing activities	38,406	(604)
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,977	(15,126)
CASH AND CASH EQUIVALENTS—Beginning of year	28,267	43,393
CASH AND CASH EQUIVALENTS—End of year	$ 37,244	$ 28,267

See notes to consolidated financial statements.

1. ORGANIZATION

The Oregon Community Foundation (OCF) was established in 1973 to improve life in Oregon and to promote effective philanthropy. OCF accomplishes its purpose by building a permanent endowment for the benefit of the community through the support of philanthropically minded Oregonians. Individuals, corporations, and non-profit agencies contribute to funds that support a wide range of organizations that promote the educational, cultural, health, social, and civic development of Oregon. OCF operates a grants program that seeks out opportunities for the effective use of its resources in a manner that is consistent with its donors' intent.

The consolidated financial statements include the operations of seven supporting organizations, the OCF Joseph E. Weston Foundation, Peter W. Stott Foundation, Sid and Karen DeBoer Foundation, Wieden Family Public Foundation, the Gray Family Foundation, the Robert J. and Leona DeArmond Public Foundation, and the Oregon Community Foundation Trust. OCF performs all accounting and administrative functions for the supporting organizations as well as appointing the majority of voting members to the Board of Directors for each organization. The supporting organizations make grants to OCF and other outside organizations.

OCF and the consolidated supporting organizations are collectively referred to as the "Foundation."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Standards—The accounting standard initially adopted in 2016 is described below. On May 1, 2015, the Financial Accounting Standards Board (FASB) issued accounting standards update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2015-07) which removes the requirement to present certain investments for which the practical expedient is used to measure fair value at net asset value within the fair value hierarchy table. Instead, a company would be required to include those investments as a reconciling item so that the total fair value amount of investments in the disclosure is consistent with the fair value investment balance on the consolidated statement of financial position. ASU 2015-07 is effective for fiscal years beginning after December 15, 2015. During 2016, the Foundation has adopted and applied ASU 2015-07 retrospectively, as required. The Foundation presents the investment disclosure required by this new guidance in Note 5, Investments. There are no other effects on the consolidated statements of financial position or statements of activities.

Classification of Contributions and Net Assets—The accompanying financial statements have been prepared in accordance with the *Not-for-Profit Entities Topic of FASB Accounting Standards Codification (ASC)* (ASC Section 958). The Balance Sheet and Income Statement Subtopics of ASC Section 958 require the Foundation to present its net assets and its revenue and gains (losses) based upon the existence or absence of donor imposed restrictions into these classes: unrestricted, temporarily restricted, and permanently restricted. FASB ASC (ASC 958-205-45-28) provides guidance for the classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The subtopic also provides for enhanced disclosures about endowment funds (both donor-restricted endowment funds and board designated endowment funds). The Foundation has determined its net assets do not meet the definition of endowment under UPMIFA.

The bylaws of the Foundation include a variance provision giving the Board of Directors the power, whenever any restriction or condition on the distribution of funds becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable, educational, and scientific needs of the State of Oregon, to modify any restriction or condition placed on the distribution of funds and to apply the whole or any part of the principal or income of funds as in its judgment is necessary to serve more effectively the charitable, educational and scientific purposes of the Foundation. Based on this provision, all contributions and assets not classified as temporarily restricted are classified as unrestricted. Contributions of pledges for which the cash has not been received and assets and liabilities held in charitable trust agreements or life estate agreements are classified as temporarily restricted. The Foundation has no assets that are permanently restricted.

The Foundation’s assets consist of approximately 1,977 individual funds established by donors for a variety of purposes. As noted above, the Foundation classifies these funds as unrestricted net assets; however, the Foundation manages funds established by donors as endowed funds in accordance with terms set forth in the individual fund agreements. Accordingly, the Foundation further classifies its unrestricted net assets as of December 31, 2016 and 2015, as follows (in thousands):

	2016	**2015**
Discretionary	$ 417,220	$ 407,920
Advised	457,343	434,039
Community	55,933	55,928
Designated	321,829	302,310
Scholarship	119,402	116,442
Administrative	8,471	4,540
Supporting organizations	275,664	85,753
Total endowment	1,655,862	1,406,932
Operating funds—non-endowed	9,437	7,997
Total unrestricted net assets	$ 1,665,299	$ 1,414,929

None of the Foundation’s temporarily restricted net assets are endowment funds.

For the years ended December 31, 2016 and 2015, the following table summarizes activity in endowed funds (in thousands):

Endowment funds—January 1, 2015	$1,419,115
Contributions	61,951
Interest and dividends	17,610
Realized investment gains—net	6,430
Unrealized investment losses—net	(28,655)
Grants and other expenses	(84,968)
Other	15,449
Endowment funds—December 31, 2015	1,406,932
Contributions	245,956
Interest and dividends	11,922
Realized investment gains—net	9,888
Unrealized investment gains—net	74,283
Grants and other expenses	(94,585)
Other	1,466
Endowment funds—December 31, 2016	$1,655,862

Cash and Cash Equivalents—Cash and cash equivalents consist of cash in bank accounts and investments with maturities of three months or less at date of acquisition. Cash equivalents are classified as Level II in the fair value hierarchy, as defined in Note 5, as the balances do not trade on a regular basis.

Investments—*Fair Value Measurements and Disclosures Topic of FASB ASC 820* (ASC 820), which defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. Fair value is the amount 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.

Investments are reflected on the consolidated statements of financial position at fair value with changes in unrealized gains and losses resulting from changes in fair value reflected in the consolidated statements of activities.

Publicly traded investments in active markets are reported at fair market value based on current quoted market prices.

Investments for which observable market prices in active markets do not exist are reported at fair value, as determined in good faith by management. The valuations of limited partnership investments include assumptions and methods that were prepared by the general partners of the limited partnerships and were reviewed by Foundation management.

See Note 5 for further discussion relating to *Fair Value Measurements and Disclosures* and the Foundation’s investments.

Program Related Investments—The Foundation has designated approximately $3 million from its total investment pool to be available for Program Related Investments, which are investments made to support charitable activities that accomplish the Foundation's exempt purpose and involve the potential return of capital within an established time frame. Program Related Investments totaled $2,386 thousand and $2,400 thousand as of December 31, 2016 and 2015, respectively.

Assets Held in Charitable Trusts—The Foundation serves as the trustee for various charitable trusts. Under the terms of these trust agreements, the Foundation makes distributions to income beneficiaries for a given term or for the life of the beneficiaries. At the end of the term, or upon the death of the income beneficiaries, assets remaining in the trust will be transferred to the Foundation. The Foundation records the assets held in charitable trusts at their fair market value based on current quoted market prices and records a liability under charitable trust agreements for the estimated discounted value of the amounts due to the income beneficiaries based on Internal Revenue Service annuity and mortality tables. Beginning in 2015, the Foundation moved from the 2000 CM mortality table to the IAR-2016 mortality table in valuing its charitable trusts.

Assets Held in Charitable Gift Annuities—The Foundation has 41 and 30 charitable gift annuities as of December 31, 2016 and 2015, respectively. Under the terms of these agreements, the Foundation makes distributions to the donors for their lifetimes. The Foundation records the assets held in charitable gift annuities at their fair market values based on current quoted market prices and records a liability under the charitable gift annuities based on the estimated discounted value of the amounts due to the donors based on the Internal Revenue Service annuity and mortality tables. Beginning in 2015, the Foundation moved from the 2000 CM mortality table to the IAR-2016 mortality table in valuing its charitable gift annuities.

Beneficial Interests in Charitable Trusts—Beneficial interests in charitable trusts (including charitable lead trusts, perpetual trusts, and charitable remainder trusts) held by others are recorded at the net present value of the estimated future amount to be received from such assets. These beneficial interests are included in contributions receivable on the consolidated statements of financial position.

Split-Interest Agreements—Split-interest agreements are agreements between the Foundation and donors in which the donors make gifts to the Foundation, but the Foundation is not the sole beneficiary. The Foundation receives either a lead interest (distributions during the term of the agreement with any remaining assets going to an individual or individuals designated by the donor) or a remainder interest (distribution of assets remaining at the end of the agreement with distributions going to an individual or individuals designated by the donor during the term of the agreement). Assets Held in Charitable Trusts, Assets Held in Charitable Gift Annuities, or Beneficial Interests in Charitable Trusts qualify as split-interest agreements and are accordingly presented as such throughout the following footnotes.

Contributions—Contributions are recorded at fair value at the date of receipt or unconditional promise to give. Amounts are subject to change until the contributions are actually received. For contributions due to be received in more than one-year fair value is recorded as the estimated present value of the future receipts. The Foundation provides an allowance against contributions based on management's expectations to collect fully such amounts. No allowances were recorded against contributions receivable at December 31, 2016 and 2015. The Foundation reduces uncollectible contributions receivable when management determines the contribution is not collectable.

Grants—Grants are made from available income and principal in accordance with designations by the donors and as approved by the Board of Directors and are recorded at the date the grant is approved.

Office Furniture and Equipment—Office furniture and equipment are recorded at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over estimated useful lives of three to five years.

Income Taxes—The Foundation has been granted tax-exempt status under §501(c) (3) of the Internal Revenue Code and is, therefore, generally exempt from federal and state income taxes. Accordingly, no taxes have been provided for in the accompanying consolidated financial statements.

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 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 gains, and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events—The Foundation has evaluated subsequent events through May 4, 2017, the date the financial statements were available to be issued, and has concluded that there are no material subsequent events, which require adjustment or disclosure.

3. ENDOWMENT INVESTMENT AND SPENDING POLICIES

The goal of the Foundation's investment program for funds held as permanent endowment is to achieve a total rate of return that will allow the Foundation to respond to today's needs and the long-term growth necessary to respond to future needs. The Foundation's investment objective for funds held as term endowment funds is to preserve capital and, if possible, purchasing power over the life of the fund. To meet this objective, assets of individual funds are invested in a mixture of cash, bonds, stocks, and other investments that will produce a reasonable return over a reasonable period, consistent with the payout schedule and program objective of the fund. Foundation assets are invested in a mixture of equities, fixed-income instruments, alternative investment classes such as hedge funds, distressed debt, and private investments, and cash and cash equivalents.

The Foundation has adopted a spending policy to determine the annual amount available for distribution from funds held as permanent endowment. Each year the Board of Directors sets an annual payout rate for the coming year based on a 10-year projection of investment return. Currently, if the projected 10-year return is 9% or above, the payout for grants will be 5% of market value; if the projected 10-year return is below 9%, the payout for grants will be 4.5% of market value. Market value is determined using a 13-quarter trailing average of fund market value.

4. ENDOWMENT PARTNER FUNDS

The Foundation follows the *Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others Subtopic of FASB ASC* (ASC 958-605-25-21) for transactions in which the Foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. FASB ASC 958-605-25-21 specifically requires that if a Not-for-Profit Organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as endowment partner funds.

The Foundation maintains variance power and legal ownership of endowment partner funds and as such continues to report the funds as assets of the Foundation. However, in accordance with FASB ASC 958-605-25-23, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

At December 31, 2016 and 2015, the Foundation was the owner of 409 and 397 endowment partner funds, respectively. For the years ended December 31, 2016 and 2015, the following table summarizes activity in such funds (in thousands):

Endowment Partner Fund balance—January 1, 2015	$188,532
Amounts raised	7,649
Interest and dividends	2,385
Realized gains—net	957
Unrealized losses—net	(4,155)
Grants	(18,373)
Investment fees and other expenses—net	(1,377)
Endowment Partner Fund balance—December 31, 2015	175,618
Amounts raised	9,047
Interest and dividends	1,513
Realized gains—net	1,567
Unrealized gains—net	7,959
Grants	(13,775)
Investment fees and other expenses—net	(1,303)
Endowment Partner Fund balance—December 31, 2016	$180,626

5. INVESTMENTS

FASB ASC 820 establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level I—Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments which would generally be included in Level I include listed equities. The Foundation, to the extent that it holds such investments, does not adjust the quoted price for these investments, even in situations where the Foundation holds a large position and a sale could reasonably impact the quoted price.

Level II—Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level I. Fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, and less liquid and restricted equity securities.

Level III—Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, debt funds, fund of hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment 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 considers factors specific to the investment.

The fair value of each asset and liability in the table below was measured using FASB ASC 820 input guidance and valuation techniques. The following table sets forth carrying amounts and estimated fair values of assets (including program related investments) and liabilities measured and recorded at fair value on a recurring basis at December 31, 2016 and 2015 (in thousands):

	2016			
	Level I	**Level II**	**Level III**	**Total**
Assets:				
Equities:				
Publicly traded equities	$166,832	$ -	$ -	$ 166,832
Mutual funds	312,019	-	-	312,019
Fixed income:				
Bonds and notes	-	155,505	-	155,505
Mutual funds	-	19,138	-	19,138
Real property	-	-	88,474	88,474
Other investments	-	-	193,528	193,528
Total	$478,851	$174,643	$282,002	935,496
Investments measured At NAV				878,934
Total investments				$1,814,430
Assets held in charitable trusts and gift annuities	$ 54,839	$ 18,939	$ 1,496	$ 75,274
Beneficial interests in charitable trusts	$ -	$ -	$ 7,875	$ 7,875
Liabilities under split-interest agreements	$ -	$ -	$ 47,574	$ 47,574

	2015			
	Level I	**Level II**	**Level III**	**Total**
Assets:				
Equities:				
Publicly traded equities	$205,429	$ -	$ -	$ 205,429
Mutual funds	229,882	-	-	229,882
Fixed income:				
Bonds and notes	-	132,463	-	132,463
Mutual funds	-	22,257	-	22,257
Real property	-	-	71,872	71,872
Other investments	-	-	13,245	13,245
Total	$435,311	$154,720	$85,117	675,148
Investments measured At NAV				888,076
Total investments				$1,563,224
Assets held in charitable trusts and gift annuities	$ 51,549	$ 19,532	$ 2,311	$ 73,392
Beneficial interests in charitable trusts	$ -	$ -	$ 8,786	$ 8,786
Liabilities under split-interest agreements	$ -	$ -	$46,450	$ 46,450

For the years ended December 31, 2016 and 2015, the change in Level III assets and liabilities measured at fair value on a recurring basis are as follows (in thousands):

	Invested Assets	**Beneficial Interests and Gift Annuities**	**Split-Interest Liabilities**
Balance—January 1, 2015	$ 67,400	$13,506	$45,254
Purchases and issuances	1,435	-	1,471
Sales and settlements	(3,960)	(1,861)	(479)
Realized gains included in total investment income	115	-	-
Contribution of Level III assets	7,766	240	-
Change in unrealized gains included in total investment income	12,361	-	-
Change in value	-	(788)	204
Balance—December 31, 2015	85,117	11,097	46,450
Purchases and issuances	6	-	1,923
Sales and settlements	(8,264)	(1,392)	(530)
Realized losses included in total investment income	(1,067)	-	-
Contribution of Level III assets	192,420	-	-
Change in unrealized gains included in total investment income	13,790	-	-
Change in value	-	(334)	(269)
Balance—December 31, 2016	$282,002	$ 9,371	$47,574

The Foundation recognizes transfers between levels at the end of the reporting period. There were no significant transfers between any fair value levels during the years ended December 31, 2016 and 2015, respectively.

Investment accounts consisting of publicly traded equities and mutual funds are recorded at fair market value based on current quoted market prices. Investments in fixed income securities are recorded at fair value provided primarily by custodians and are based on pricing models that incorporate available trade, bid and other market information. Investments in co-mingled trusts and pooled funds are valued at the net asset value per unit as provided by the fund trustees or custodians.

Quoted market prices are not available for certain investments, including limited partnership investments and real property. These investments are recorded based on the most recent appraisals, adjusted for current market conditions; therefore, the reported value may differ from the value that would have been used had a quoted market price existed. The valuations for limited partnership investments are based on the net asset value of the Foundation's ownership interest in the partners' capital, which includes assumptions and methods that were prepared by the General Partners of the limited partnerships and were reviewed by Foundation management. Real property values are based on appraisals utilizing a sales-comparison approach from independent third parties, which are periodically updated. Other investments (e.g. closely held company shares) are valued based on third party appraisals at the time of donation and are updated periodically. The Foundation believes that the reported amounts for these investments are a reasonable estimate of their fair value at December 31, 2016 and 2015.

Beneficial interests in charitable trusts (including charitable lead trusts, perpetual trusts, and charitable remainder trusts) held by others are recorded at the net present value of the estimated future amount to be received from such assets. The present value of charitable remainder trusts held by others is based on Internal Revenue Service annuity and mortality tables. The present value of estimated future amounts to be received from charitable lead trusts and perpetual trusts held by others is based on a discount rate of 8%.

Liabilities under split-interest agreements are recorded at the present value of estimated amounts due to income beneficiaries of the agreements based on Internal Revenue Service annuity and mortality tables.

At December 31, 2016, the Foundation's investments valued at net asset value were as follows (in thousands):

	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Co-mingled trusts and pooled funds—equity	$ 321,699	$ -	Daily to Quarterly	1 day to 60 days
Marketable alternative assets	355,191	-	Monthly to every 24 months	30 days to 90 days
Private capital assets	202,044	147,968	See below	See below
Total	$ 878,934	$ 147,968		

The co-mingled trusts and pooled funds-equity category represents investments in equities, both U.S. and international, including investments in developed and emerging markets and in energy, real estate, and commodity stocks.

Marketable alternative assets are investments in funds organized as limited partnerships. The funds invest primarily in publicly traded securities employing a variety of strategies including absolute return strategies such as diversified arbitrage and investment in distressed securities and long/short strategies.

Private capital assets are investments in funds organized as limited partnerships. The funds invest in private companies, both U.S. and international. This category includes investments in a broad range of strategies including venture capital, private equity, distressed investments, and real assets. The Foundation cannot redeem investments in this category. Instead, the Foundation receives distributions from the partnerships as underlying assets are liquidated. The Foundation estimates that underlying assets of the funds will be liquidated over the next 1 to 10 years, at which time the partnerships will be terminated.

6. CONTRIBUTIONS RECEIVABLE

Included in contributions receivable at December 31, 2016 and 2015, are the following unconditional promises to give (in thousands):

	2016	2015
Beneficial interests in charitable lead trusts	$ 3,729	$ 5,045
Beneficial interests in perpetual trusts	77	77
Beneficial interests in charitable remainder trusts	19,136	19,848
Other—pending bequests	11,105	18,707
Gross contributions receivable	34,047	43,677
Less discount	15,067	16,183
Net contributions receivable	$18,980	$27,494

Contributions receivable due in more than one year are recorded at their estimated present value, assuming a discount rate of 8%. Contributions receivable at December 31, 2016 and 2015, are due as follows:

	2016	2015
Due in less than one year	$12,155	$19,765
Due in one to five years	2,186	3,414
Due in over five years	19,706	20,498
Total	$34,047	$43,677

Assets Held in Charitable Gift Annuities—The Foundation had 41 charitable gift annuity contracts as of December 31, 2016, 30 of which were established in the prior years, and 11 were established in 2016. Payments on these charitable gift annuity contracts are made to the donors and/or spouses during their lifetime.

Upon execution of the charitable gift annuities, the Foundation records an asset for the fair market value of charitable gift annuities, and a liability based upon the actuarial present value of amounts expected to be paid to the donors; the present value of the liability is adjusted annually. The residual amount the Foundation expects to receive from the annuities, which is the net of the gift annuity asset and the liability, as of December 31, 2016, is summarized below (in thousands):

Gift annuities remainder interest expected to be received (based on life expectancy tables) in:	
Less than one year	$ -
One to five years	(11)
Over five years	1,927
Total	$1,916

7. RETIREMENT PLAN

The Foundation provides a defined contribution retirement plan under the provisions of §401(k) of the Internal Revenue Code for qualifying employees. The plan covers substantially all employees and requires the Foundation to annually contribute 10% of each participant's regular compensation. A participant becomes fully vested after three years of service. The Foundation's policy is to fund 401(k) plan costs on a current basis, which amounted to $612 thousand and $595 thousand, respectively, for the years ended December 31, 2016 and 2015. These amounts are included in administrative expenses in the accompanying consolidated statements of activities.

The Foundation established a 457(b) salary deferral plan for key executives in 2016. The 457(b) Plan is funded by voluntary employee salary deferrals in accordance with regulations established under Section 457(b) of the Internal Revenue Code. The balance in the deferred compensation plan is $69 thousand at December 31, 2016.

8. COMMITMENTS

Rental expense for the Foundation's office space for the years ended December 31, 2016 and 2015, amounted to $522,246 and $501,312, respectively. At December 31, 2016, commitments for future minimum payments under the current lease agreements expiring on April 30, 2018, January 31, 2019, December 31, 2020, and September 30, 2021 are as follows (in thousands):

Years Ending December 31	
2017	$ 627
2018	605
2019	558
2020	570
2021	389
Total	$2,749

At December 31, 2016, the Foundation had unfunded commitments of $148 million in connection with its limited partnership investments.

9. ADMINISTRATIVE EXPENSES

Administrative expenses for the years ended December 31, 2016 and 2015, consisted of the following (in thousands):

	2016	2015
Salaries	$ 6,526	$ 6,286
Salary related costs	2,211	2,128
Occupancy	643	605
Stationery, printing, and postage	150	221
Staff development and expenses	207	235
Promotion and statewide outreach	1,110	1,077
Information system administration	394	392
Professional fees	222	383
Insurance	45	46
Depreciation	239	232
Miscellaneous	-	37
Total	$11,747	$11,642

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