The Annie E. Casey Foundation, Inc.

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

THE ANNIE E. CASEY FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Annie E. Casey Foundation, Inc.
Baltimore, Maryland

We have audited the accompanying financial statements of The Annie E. Casey Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of December 31, 2016 and 2015, 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.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Annie E. Casey Foundation, Inc. as of December 31, 2016 and 2015, 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.

Deloitte & Touche LLP

May 31, 2017

THE ANNIE E. CASEY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CASH	$ 3,798,354	$ 634,843
INVESTMENTS	2,561,730,814	2,463,073,674
PROGRAM RELATED INVESTMENTS, net	36,122,111	40,568,403
OTHER ASSETS:		
Collateral under securities lending program	18,160,279	8,164,678
Security sales receivable	2,494,910	50,726,625
Interest and dividends receivable	3,302,013	3,109,397
Property and equipment, net	12,292,419	10,937,840
Beneficial interest in charitable remainder trusts	32,024,851	30,664,376
Other assets	5,901,929	5,742,790
Total other assets	74,176,401	109,345,706
TOTAL	$2,675,827,680	$2,613,622,626
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and other liabilities	$ 11,620,449	$ 7,712,677
Debt	5,000,000	-
Payable under securities lending program	18,160,279	8,164,678
Security purchases payable	1,492,663	2,001,513
Deferred federal excise tax	13,255,872	14,159,779
Postretirement benefit obligation	108,701,000	111,331,000
Total liabilities	158,230,263	143,369,647
NET ASSETS:		
Unrestricted	2,485,572,335	2,439,588,372
Temporarily restricted	32,025,082	30,664,607
Total net assets	2,517,597,417	2,470,252,979
TOTAL	$2,675,827,680	$2,613,622,626

See notes to financial statements.

THE ANNIE E. CASEY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUE AND SUPPORT:		
Donations and grants	$ 2,155,154	$ 683,560
Charitable remainder trusts released from restrictions	2,444,838	-
Interest and dividends	25,241,078	26,230,592
Realized gains on sales of investments	104,548,731	35,297,725
Unrealized appreciation (depreciation) on investments	35,777,744	(178,041,989)
Other investment income	55,921,813	97,260,263
Total revenue and support	226,089,358	(18,569,849)
GRANTS AND OTHER EXPENSES:		
Grants:		
Family	33,213,094	40,065,046
Opportunity	19,602,090	19,014,710
Community	19,090,306	18,120,061
Capacity building	45,602,845	40,888,420
Total grants	117,508,335	118,088,237
Administrative and grants management expenses:		
General	49,103,905	45,394,076
Postretirement benefit cost	15,008,000	12,314,000
Total administrative and grants management expenses	64,111,905	57,708,076
Other expenses:		
Postretirement changes other than net periodic benefit cost	(14,657,383)	7,778,312
Interest and swap expense	27,868	2,751,144
Investment expense	8,674,136	8,260,266
Federal excise and other tax expense	4,440,534	40,534
Total grants and other expenses	180,105,395	194,626,569
CHANGES IN UNRESTRICTED NET ASSETS	45,983,963	(213,196,418)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Change in value of charitable remainder trusts	3,805,313	(1,902,616)
Charitable remainder trusts released from restrictions	(2,444,838)	-
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:	1,360,475	(1,902,616)
CHANGES IN NET ASSETS	47,344,438	(215,099,034)
NET ASSETS—Beginning of year	2,470,252,979	2,685,352,013
NET ASSETS—End of year	$ 2,517,597,417	$ 2,470,252,979

See notes to financial statements.

THE ANNIE E. CASEY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Changes in net assets	$ 47,344,438	$ (215,099,034)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization of fixed assets	1,914,250	1,957,708
Loss on disposal of assets	484,140	-
Net realized and unrealized (gain) loss on investments	(140,173,961)	152,018,951
Change in provision for losses on program related investments	(152,514)	(9,274,687)
(Increase) decrease in interest and dividends receivable	(192,616)	95,927
(Increase) decrease in charitable remainder trusts	(1,360,475)	1,902,847
Increase in other assets	(159,139)	(2,957,619)
Increase (decrease) in payables and other liabilities	3,907,772	(3,118,654)
Decrease in deferred federal excise tax	(903,907)	(3,707,067)
(Decrease) increase in postretirement benefit obligation	(2,630,000)	16,890,000
Net cash used in operating activities	(91,922,012)	(61,291,628)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments and cash distributions	637,998,853	634,858,511
Purchases of investments	(549,383,539)	(403,535,963)
Loans disbursed for program related investments	(5,157,218)	(7,979,117)
Repayments of program related investments	10,380,395	22,983,063
Capital expenditures	(3,752,968)	(1,171,993)
Net cash provided by investing activities	90,085,523	245,154,501
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt proceeds	5,000,000	-
Repayment of debt	-	(160,000,000)
Swap termination payment	-	(24,230,000)
Net cash provided by (used in) financing activities	5,000,000	(184,230,000)
NET INCREASE (DECREASE) IN CASH	3,163,511	(367,127)
CASH—Beginning of year	634,843	1,001,970
CASH—End of year	$ 3,798,354	$ 634,843

See notes to financial statements.

THE ANNIE E. CASEY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

1. ORGANIZATION OF THE FOUNDATION

The Annie E. Casey Foundation, Inc. (the "Foundation") is a not-for-profit organization founded in 1948 devoted to developing a brighter future for children at risk of poor educational, economic, social and health outcomes across the country. The Foundation's work focuses on strengthening families, building stronger communities and ensuring access to opportunity, because children need all three to succeed.

The Casey family charitable remainder trusts have provided a substantial portion of the donations to the Foundation in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash — Cash consists of funds held in commercial interest-bearing accounts for operating purposes.

Investments — Investments are stated at fair value where a readily determinable fair value exists. Fair value is determined using the closing prices for investments traded on any global stock exchange. The Foundation utilizes a practical expedient for the estimation of the fair value of investments in limited partnerships and similar interests, with no readily determinable fair value. The practical expedient used by the Foundation to value private investments is the net asset value ("NAV") per share, or its equivalent. However, the recorded value could differ from the value that would have been used had a readily available market existed for such investments.

Realized gains and losses on sales of investments in United Parcel Service, Inc. (UPS) common stock, if any, are calculated based on the specific identification method. The realized gains and losses for other investments are calculated based on the first-in, first-out method.

Program Related Investments — The Foundation makes program related investments (PRIs) that advance philanthropic purposes. These investments consist of various partnerships, loans and bonds. The partnerships, loans and bonds are stated at estimated fair value. At December 31, 2016 and 2015, the partnerships were valued at $5,082,375 and $4,439,254 with unfunded commitments totaling $7,555,352 and $7,788,598, respectively. The total par value of bonds outstanding was $26,694,481 and $26,643,771, with a fair value of $7,448,491 and $7,423,135 at December 31, 2016 and 2015 respectively. Interest rates range from 1.7% to 7% and principal is scheduled to be paid in full to the Foundation at the maturity dates ranging from September 2038 through September 2039.

The total amount of loans outstanding was $27,863,102 and $33,155,739 with unfunded commitments of $0 and $557,500 as of December 31, 2016 and 2015, respectively. Interest rates range from 1% to 3% and principal is scheduled to be paid in full to the Foundation at the maturity dates ranging from July 2018 through October 2026. The Foundation records a reserve for potentially uncollectible loans based on an analysis of its historical experience, quarterly and annual financial reports received, and the entity's ability to meet financial covenants. Management has reviewed all program related investments and for the years ended December 31, 2016 and 2015, has recorded a reserve for potentially uncollectible loans in the amount of $4,271,857 and $4,449,725, respectively.

Charitable Remainder Trusts — The Foundation is the beneficiary of charitable remainder trusts that are administered by third parties and are temporarily restricted until the termination of the trust. At December 31, 2016 and 2015, the Foundation recognized these trusts at their net present value based upon actuarially determined calculations using a discount rate of 6%. The discount rate used is commensurate with the risks involved.

Under the terms of these trusts, payments of income are made from the trusts to the donees or other specified parties over the terms of the trusts. Upon termination of the trusts, the remaining net assets will be transferred to the Foundation for its unrestricted use. For the year ended December 31, 2016, $2,444,838 was transferred to the Foundation. No funds were transferred to the Foundation during the year ended December 31, 2015.

Property and Equipment — Property and equipment, which consists primarily of buildings and building improvements, is recorded at cost. Depreciation of property is calculated using straight-line methods over 10 to 25 years for buildings and improvements, 5 years for furniture and fixtures, and 3 years for computer and equipment. Leasehold improvements are depreciated over the shorter of their estimated useful lives or lease terms. Repairs and maintenance costs are expensed as incurred. Property and equipment is assessed annually for impairment. Gains and losses on disposals of property and equipment are recorded in the period incurred and are included in general administrative expenses.

Derivatives — At December 31, 2014, the Foundation was a counterparty to an interest rate swap to manage interest cost and risk. As a not-for-profit organization, the Foundation is not allowed to use cash flow hedge accounting. In accordance with authoritative guidance, the interest rate swap agreements were recorded in the statements of financial position at fair value with the related gains and losses reflected in the statements of activities in the period of change. During 2015, a payment of $24,230,000 was made to terminate the interest rate swap.

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management made significant estimates and assumptions in the valuation of certain investments, postretirement benefit costs and valuation allowances. Actual results could differ from those estimates.

Recent Accounting Pronouncements — In August 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities which is effective for fiscal years beginning after December 15, 2017. The primary impacts of ASU 2016-14 are as follows: a) Net Asset Classification: The three categories of net assets will be condensed to two categories: Without Donor Restrictions and With Donor Restrictions. Not-for-profits may choose to disaggregate net assets further within the two categories. b) Board-Designated Net Assets: Not-for-profits will need to disclose the amount, purpose, and type of board designations either on the face of the financials or in the notes to the financial statements. Board-designated net assets remain a subgroup of net assets without donor restrictions. c) Underwater Endowment Assets: Although the underwater calculation remains unchanged, instead of classifying the underwater portion against unrestricted net assets, it will go against the Net Assets With Donor Restrictions. There are also certain additional disclosures such as any board policy or actions taken regarding appropriation from such funds. d) Cash Flow Statement: Not-for-profits will still have the option of presenting operating cash flows using the direct method or the indirect method. If the direct method is chosen, the indirect reconciliation is not required. e) Expenses: Expenses will be required to be presented both by function and by nature, but it is flexible as to how (in statement form vs. in the footnotes). A qualitative disclosure about how costs are allocated by function will also be required. External and internal direct investment expenses will be netted against investment return on the statement of activities. Disclosure of investment return components will no longer be required. f) Liquidity and Availability: The ASU will require (1) quantitative disclosure about availability of financial assets to meet cash needs for general expenditures within one year of the statement of financial position date, and (2) qualitative disclosure about liquidity, presented in the notes, including information about liquidity risk and how the liquid available resources are managed. Management has chosen not to early adopt ASU 2016-14 but will assess the impact on future financial statements.

3. INVESTMENTS

The Foundation's assets are invested in various asset classes that are expected to produce a sufficient level of diversification and investment return over the long-term and BNY Mellon is the custodian. The investment goal is to exceed the assumed rate of return over the long-term within reasonable and prudent levels of risk. Through consultation with the Foundation's investment management team and outside investment advisers, management develops expected long-term returns for each of the strategic asset classes. In addition to the Foundation's historical investment performance, several factors are considered, including current market data such as yields/price-earnings ratios, historical market returns over long periods and periodic surveys of investment managers' expectations.

The Foundation's custodian maintains a securities lending program on behalf of the Foundation, and maintains collateral at all times in excess of the value of securities on loan. Investment of this collateral is in accordance with specified guidelines. The funds are part of a collateral pool that invests in high quality debt securities with a managed short-term duration. The Foundation maintains effective control of the loaned securities during the term of the arrangement wherein they may be recalled at any time. The value of securities on loan at December 31, 2016 and 2015 was $18,160,279 and $8,164,678, respectively. In exchange, collateral was provided to the custodian of $18,565,449 and $8,426,827 as of December 31, 2016 and 2015 respectively. In accordance with authoritative guidance, the securities on loan are shown as both an asset and a liability on the statements of financial position.

Concentration of Risk — The Foundation is a holder of Class A and B UPS stock. The price per share of the Class A stock is equal to Class B stock. As of December 31, 2016, the market value of UPS Class B common stock was $114.64 per share. UPS stock represented approximately 17% of the market value of the Foundation's investment portfolio at both December 31, 2016 and 2015.

4. FAIR VALUE MEASUREMENTS

The Foundation accounts for assets and liabilities measured at fair value using ASC Topic 820, *Fair Value Measurements and Disclosures*. Under ASC Topic 820, fair value refers to 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 guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Investments with readily available actively quoted prices, or for which fair value can be measured from actively quoted prices, generally, will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. In the absence of actively quoted prices and observable inputs, the Foundation estimates prices based on available historical data and near term future pricing information that reflects its market assumptions. The guidance requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets and liabilities.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

Level 1 investments include equities and UPS common stock. The value is based on quoted market prices in active markets.

Level 2 investments include short-term investments such as certificates of deposits, fixed income securities, and repurchase agreements. The fair value is estimated using third-party quotations. Level 2 investments also include interest rate swaps that are valued by referencing yield curves derived from observable interest rates and spreads to project and discount swap cash flows to present value.

Level 3 investments include bonds for which quoted market prices are not readily available.

For investments with little or no market data available, the determination of fair value is based on the best information available in the circumstances and incorporates management's own assumptions, including appropriate risk adjustments. Due to the fact that a quoted market exchange does not exist for the Level 2 and Level 3 investments, the fair value is generally based on management's estimate of fair value in the most advantageous exit market. Management gives consideration to the reasonableness of the investee company's methodology for measuring fair value and reviews the investee company's interim and audited financial statements as well as post period transactions. Because of the inherent uncertainty of valuation, the estimated fair values of the investments presented could differ significantly from the value that would have been determined had a ready market existed, and it is reasonably possible that the difference could be material. As such, there is no assurance that upon liquidation, the Foundation will realize the fair values presented therein.

ASC Topic 820 permits the estimation of the fair value of an investment using net asset value per share (or its equivalent) for certain investments that do not have readily determinable fair values. The inputs to value these investments may include the Foundation's capital accounts for its partnership interests in various alternative investments, including hedge funds, public equity, private equity, real estate and commodities. The various partnerships are investment companies, which record their underlying investments at fair value based on fair value policies established by management of the underlying fund. Fair value policies at the underlying fund generally require the fund to utilize pricing/valuation information from third-party sources, including independent appraisals. However, in some instances, current valuation information for illiquid securities or securities in markets that are not active may not be available from any third-party source or fund management may conclude that the valuations that are available from third-party sources are not reliable. In these instances, fund management may perform model-based analytical valuation that may be used as an input to value these investments. As disclosed in Note 2, *Significant Accounting Policies*, these investments are measured at fair value using NAV (or its equivalent) as a practical expedient and are not included in the fair value hierarchy.

At December 31, 2016, the redemption frequency for hedge funds is: quarterly (30%), semiannually (12%), monthly (10%), annually (33%) and other (15%). With redemption notice periods ranging from 5 to 180 days, the Foundation has the ability to redeem 75% of these funds through the end of 2017, 15% through the end of 2018, and 3% through the end of 2019. An additional 7% are held in side pockets or restricted assets with no redemption rights. The hedge funds had additional unfunded capital commitments to various partnerships of $6,000,000 as of December 31, 2016.

At December 31, 2015, the redemption frequency for hedge funds is: quarterly (38%), semiannually (20%), monthly (19%), annually (10%) and other (13%).With redemption notice periods ranging from 5 to 180 days, the Foundation has the ability to redeem 88% of these funds through the end of 2016, 5% through the end of 2017, and 1% through the end of 2018. An additional 6% are held in side pockets or restricted assets with no redemption rights. The hedge funds had unfunded capital commitments to various partnerships of $9,750,000 as of December 31, 2015.

At December 31, 2016, the redemption frequency for public securities measured at NAV is: daily (17%), monthly (22%), quarterly (36%), annually (10%), and other (15%). With redemption notice periods ranging from 0 to 90 days, the Foundation has the ability to redeem 100% of these funds through the end of 2016.

At December 31, 2015, the redemption frequency for public securities measured at NAV is: daily (16%), monthly (24%), quarterly (39%), annually (9%) and other (12%). With redemption notice periods ranging from 0 to 120 days, the Foundation has the ability to redeem 93% of these funds through the end of 2016, 5% through the end of 2017 and 2% through the end of 2018.

The private securities are not subject to redemption, however certain funds may be sold or transferred with general partner approval. Due to the nature of these investments, the fund values are reduced through distributions that are received from liquidation of the underlying assets. For the years ended December 31, 2016 and 2015, it is estimated that the underlying assets of these funds will be liquidated over a period of approximately 15 years and 14 years, respectively. As of December 31, 2016 and 2015, the private securities had unfunded capital commitments to various partnerships of $328,086,348 and $265,277,289, respectively.

The following tables present the fair value of the Foundation's financial instruments for each level at December 31, 2016 and 2015:

	Fair Value Measurement at December 31, 2016				
	Level 1	Level 2	Level 3	Investments Measured at NAV[1]	Total
ASSETS:					
Public Securities:					
U.S. Securities:					
Large Cap	$ 486,544,096	$ -	$ -	$ 241,102,534	$ 727,646,630
Fixed Income Fund	-	172,287,013	-	-	172,287,013
Small Cap	59,895,989	-	-	-	59,895,989
Natural Resources	-	-	-	18,534,977	18,534,977
Real Estate	17,966,006	-	-	-	17,966,006
Foreign Securities:					
Emerging Markets	43,738,794	-	-	183,620,287	227,359,081
Developed Countries	113,251,787	-	-	70,448,652	183,700,439
Global Securities:					
Developed Countries	-	-	-	27,567,983	27,567,983
Natural Resources	8,027,982	-	-	-	8,027,982
	729,424,654	172,287,013	-	541,274,433	1,442,986,100
Private Securities:					
Venture	-	-	-	263,196,018	263,196,018
Real Estate	-	-	-	74,195,973	74,195,973
Buyout	-	-	-	77,906,529	77,906,529
Natural Resources	-	-	-	71,824,761	71,824,761
Private Credit	-	-	-	57,625,989	57,625,989
Opportunistic	-	-	-	29,892,873	29,892,873
Secondary	-	-	-	5,765,375	5,765,375
	-	-	-	580,407,518	580,407,518
Hedge Funds:					
Long/Short	-	-	-	177,558,680	177,558,680
Opportunistic	-	-	-	55,673,119	55,673,119
Diversified Arbitrage	-	-	-	53,195,133	53,195,133
Tactical Trading	-	-	-	58,200,322	58,200,322
Distressed/Credit	-	-	-	63,510,572	63,510,572
	-	-	-	408,137,826	408,137,826
Short-Term Investments	-	130,199,370	-	-	130,199,370
Total Investments	729,424,654	302,486,383	-	1,529,819,777	2,561,730,814
Program Related Investments:					
Bonds	-	-	7,448,491	-	7,448,491
Private Securities:					
Venture Cap	-	-	-	3,683,493	3,683,493
Private Credit	-	-	-	1,398,882	1,398,882
	-	-	7,448,491	5,082,375	12,530,866
TOTAL ASSETS	$ 729,424,654	$ 302,486,383	$ 7,448,491	$ 1,534,902,152	$ 2,574,261,680

[1] Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient. These investments have not been classified in the fair value hierarchy.

	Fair Value Measurement at December 31, 2015				
	Level 1	Level 2	Level 3	Investments Measured at NAV[1]	Total
ASSETS:					
Public Securities:					
U.S. Securities:					
Large Cap	$ 481,188,866	$ -	$ -	$ 251,025,687	$ 732,214,553
Fixed Income Fund	-	169,777,852	-	-	169,777,852
Small Cap	49,059,694	-	-	-	49,059,694
Mid Cap	20,713,120	-	-	-	20,713,120
Natural Resources	-	-	-	16,132,997	16,132,997
Real Estate	21,880,116	-	-	-	21,880,116
Foreign Securities:					
Emerging Markets	54,541,830	-	-	106,956,113	161,497,943
Developed Countries	61,637,717	-	-	85,577,457	147,215,174
Global Securities:					
Developed Countries	-	-	-	34,075,998	34,075,998
Natural Resources	5,329,122	-	-	-	5,329,122
	694,350,465	169,777,852	-	493,768,252	1,357,896,569
Private Securities:					
Venture	-	-	-	252,411,984	252,411,984
Buyout	-	-	-	79,249,175	79,249,175
Real Estate	-	-	-	73,091,434	73,091,434
Natural Resources	-	-	-	60,040,385	60,040,385
Private Credit	-	-	-	59,518,574	59,518,574
Opportunistic	-	-	-	34,338,386	34,338,386
Secondary	-	-	-	7,511,587	7,511,587
	-	-	-	566,161,525	566,161,525
Hedge Funds:					
Long/Short	-	-	-	173,673,229	173,673,229
Opportunistic	-	-	-	98,931,401	98,931,401
Diversified Arbitrage	-	-	-	71,611,551	71,611,551
Tactical Trading	-	-	-	64,212,533	64,212,533
Distressed/Credit	-	-	-	52,069,727	52,069,727
	-	-	-	460,498,441	460,498,441
Short-Term Investments	-	78,517,139	-	-	78,517,139
Total Investments	694,350,465	248,294,991	-	1,520,428,218	2,463,073,674
Program Related Investments:					
Bonds	-	-	7,423,135	-	7,423,135
Private Securities:					
Venture Cap	-	-	-	3,406,712	3,406,712
Private Credit	-	-	-	1,032,542	1,032,542
	-	-	7,423,135	4,439,254	11,862,389
TOTAL ASSETS	$ 694,350,465	$ 248,294,991	$ 7,423,135	$ 1,524,867,472	$ 2,474,936,063

[1] Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient. These investments have not been classified in the fair value hierarchy.

There were no transfers between levels for the years ended December 31, 2016 and 2015. Level 3 activity included the addition of $25,356 and $1,524,385 in Program Related Investment Bonds as of December 31, 2016 and 2015, respectively.

The tables above do not reflect the data associated with the securities lending program as there is no net impact on fair value. As of December 31, 2016 and 2015, the collateral and corresponding payable under the securities lending program were $18,160,279 and $8,164,678, respectively. The collateral and securities on loan under this program are classified as Level 1 assets under ASC Topic 820.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2016	2015
Land	$ 921,800	$ 921,800
Buildings and improvements	23,036,353	25,716,391
Leasehold improvements	214,274	209,222
Furniture and fixtures	477,687	1,131,859
Computer and office equipment	7,620,476	8,661,373
Capital projects in process	3,125,102	-
	35,395,692	36,640,645
Less accumulated depreciation, amortization and impairment	(23,103,273)	(25,702,805)
Total property and equipment, net	$ 12,292,419	$ 10,937,840

In 2016, the Foundation began renovations of office space in two locations. The renovations resulted in disposals of various property and equipment. During the years ended December 31, 2016 and 2015, the Foundation wrote off $4,997,920 and $921,081, respectively, in property and equipment, of which $4,513,780 and $921,081 was fully depreciated.

6. DEBT AND DERIVATIVE

On August 14, 2015, the Foundation entered in to a line of credit agreement with BNY Mellon. The agreement has a credit limit of $90 million and interest is payable based on the one-month floating LIBOR plus 50 basis points (1.27% and 0.93% at December 31, 2016 and 2015, respectively). There were $5,000,000 and $0 in borrowings outstanding on the line of credit at December 31, 2016 and 2015, respectively. Interest expense related to this line of credit was $7,868 and $0 at December 31, 2016 and 2015, respectively.

The Foundation had a note payable with a principal balance of $160,000,000 on December 31, 2014. The note was collateralized by a pool of investments that included 1,000,000 shares of UPS stock, cash, and bond funds. Interest on the note payable was based on the one-month floating LIBOR plus 55 basis points (0.71% at December 31, 2014). The note was repaid in full in 2015.

The Foundation had an International Swaps and Derivatives Association Master Agreement and an interest rate swap agreement to manage its interest rate exposure with BNY Mellon. This interest rate swap agreement exchanged the one-month LIBOR for the fixed rate of 4.40%, had a notional amount of $160,000,000 and an expiration date of July 1, 2020. During 2015, a payment of $24.2 million was made to terminate the interest rate swap agreement. Interest and swap expense was $2,751,144 for the year ended December 31, 2015.

7. FEDERAL EXCISE TAX

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. However, the Foundation is classified as a private foundation and is subject to a federal excise tax of 1% or 2% on investment income less investment expenses, and on net realized taxable gains on capital transactions. For the years ended December 31, 2016 and 2015, the Foundation's federal excise tax rate was 2%. The total amount of cash paid for excise taxes was $2,510,000 and $5,710,000 for the years ended December 31, 2016 and 2015, respectively. In addition, during 2016 and 2015, the Foundation paid taxes on unrelated business income incurred through certain partnership investments. These taxes were not material to the financial statements as a whole.

Deferred federal excise tax arises from timing differences between financial statement and tax reporting related to investment income and the difference between the cost basis and market value of investments. Current income tax expense was $5,344,442 and $3,747,601, respectively, for the years ended December 31, 2016 and 2015. The deferred income tax benefit was $903,907 and $3,707,067 for 2016 and 2015, respectively.

8. DEFINED CONTRIBUTION AND OTHER POSTRETIREMENT PLANS

The Foundation maintains defined contribution plans for its employees. The Foundation recorded $2,624,196 and $2,459,912 in expense for the years ended December 31, 2016 and 2015, respectively.

In addition, the Foundation provides postretirement medical and dental benefits to all eligible employees. The benefit obligation for 2016 and 2015 is summarized as follows:

	2016	2015
Benefit obligation at December 31	$ 108,701,000	$ 111,331,000
Fair value of plan assets at December 31	-	-
Funded status and accrued benefit cost recognized in the statements of financial position	$ (108,701,000)	$ (111,331,000)

The following amounts not yet reflected in net periodic benefit cost are included in net assets as of December 31, 2016 and 2015:

	2016	2015
Net prior service cost	$ (12,887,732)	$ (15,765,732)
Accumulated loss	(38,739,440)	(50,549,620)
Change in net assets	$ (51,627,172)	$ (66,315,352)

Assumptions used to determine the postretirement benefit obligation as of December 31, 2016 and 2015, are as follows:

	2016	2015
Weighted-average assumptions		
Discount rate (benefit obligation)	4.0 %	4.2 %
Discount rate (net periodic costs)	4.2 %	3.9 %
Expected return on plan assets	N/A	N/A
Health care cost trend rate assumptions		
Initial trend rate	6.8 %	7.0 %
Ultimate trend rate	5.0 %	5.0 %
Year ultimate trend rate is reached	2026	2026

The initial trend rate gradually grades down to the ultimate trend rate.

Benefit information for the years ended December 31, 2016 and 2015, is summarized as follows:

	2016	2015
Benefit cost	$ 15,008,000	$ 12,314,000
Employer contributions	$ 2,949,820	$ 3,190,498
Plan participants' contributions	239,342	240,505
Total benefits paid	$ 3,189,162	$ 3,431,003

The Foundation expects to make the following benefit disbursements:

2017	$4,360,000
2018	4,584,000
2019	4,784,000
2020	5,005,000
2021	5,121,000
2022 - 2026	29,349,000

9. LEASES

The Foundation leases office facilities at various locations. As of December 31, 2016, future minimum annual lease payments required are as follows:

December 31	
2017	510,175
2018	523,216
2019	416,292
	$ 1,449,683

Rent expense for 2016 and 2015 was $497,492 and $201,839, respectively.

10. GRANT ALLOCATIONS

As of December 31, 2016, the Foundation has approved grant funds for payments to various organizations and projects of up to approximately $140.4 million, contingent upon the organizations' performance of obligations specified in the grant agreements. Accordingly, grant expense is recorded when the obligations are substantially met and the resulting payments made. Such payments are expected to be made during the period January 1, 2017 through December 31, 2017.

11. SUBSEQUENT EVENTS

The Foundation has evaluated the impact of significant subsequent events. There have been no subsequent events through May 31, 2017, the date that the Foundation's financial statements were available to be issued, that require recognition or disclosure.

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