The Skillman Foundation

Financial Report

December 31, 2015

Contents

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Independent Auditor's Report

To the Board of Trustees
The Skillman Foundation

We have audited the accompanying financial statements of The Skillman Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2015 and 2014 and the related statements of income, expenses, and changes in unrestricted net assets 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 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 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.

To the Board of Trustees
The Skillman Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Skillman Foundation as of December 31, 2015 and 2014 and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Notes 1 and 2, the 2015 and 2014 financial statements include investments whose fair values of $400,476,449 and $416,138,269, or 91 and 89 percent of net assets, respectively, have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund manager or the general partners. Our opinion is not modified for this matter.

Plante & Moran, PLLC

May 20, 2016

Statement of Financial Position

	December 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents	$ 23,298,236	$ 24,045,464
Investments (Note 2)	415,597,117	432,273,900
Unsettled trades receivable	2,215,865	17,775,993
Program-related investment	821,292	825,000
Dividend and interest receivable	105,968	95,527
Other assets:		
Prepaid expenses	35,204	26,184
Federal excise tax refundable	294,306	-
Total assets	**$ 442,367,988**	**$ 475,042,068**
Liabilities and Net Assets		
Liabilities		
Accrued liabilities	$ 926,012	$ 1,084,400
Grants payable (Note 7)	4,599,000	2,469,000
Deferred excise taxes payable (Note 3)	648,606	1,406,286
Federal and state taxes payable	-	602,408
Total liabilities	6,173,618	5,562,094
Net Assets - Unrestricted	436,194,370	469,479,974
Total liabilities and net assets	**$ 442,367,988**	**$ 475,042,068**

The Skillman Foundation

Statement of Income, Expenses, and Changes in Unrestricted Net Assets

	Year Ended December 31, 2015	Year Ended December 31, 2014
Income		
Contributions	$ 100	$ 175
Interest income	277,507	789,755
Dividend income	260,041	780,827
Investment management fees	(2,819,795)	(1,821,335)
Net income	(2,282,147)	(250,578)
Grants and Expenses		
Grants and contributions	19,977,861	19,296,890
Administrative expenses	5,456,981	5,452,474
Federal excise and other tax (recovery) expense	(599,480)	1,363,979
Total grants and expenses	24,835,362	26,113,343
Excess of Grants and Expenses Over Income	(27,117,509)	(26,363,921)
Net Realized and Unrealized (Losses) Gains on Investments	(6,168,095)	30,379,045
(Decrease) Increase in Net Assets	(33,285,604)	4,015,124
Net Assets - Beginning of year	469,479,974	465,464,850
Net Assets - End of year	**$ 436,194,370**	**$ 469,479,974**

Statement of Cash Flows

	Year Ended December 31, 2015	Year Ended December 31, 2014
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (33,285,604)	$ 4,015,124
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Net realized and unrealized losses (gains) on investments	6,168,095	(30,379,045)
Change in deferred excise tax payable	(757,680)	(388,773)
Changes in operating assets and liabilities that (used) provided cash:		
Dividend and interest receivable	(10,441)	(7,639)
Federal and state tax	(896,714)	602,408
Other assets	(9,020)	(1,191)
Accrued liabilities	(158,388)	(49,356)
Grants payable	2,130,000	711,000
Net cash used in operating activities	(26,819,752)	(25,497,472)
Cash Flows from Investing Activities		
Purchases of investments	(114,751,860)	(329,987,198)
Change in net unsettled trades	15,560,128	(17,027,635)
Issuance of program-related investments	-	(575,000)
Collections of principal of program-related investments	3,708	-
Proceeds from sale of investments	125,260,548	385,962,773
Net cash provided by investing activities	26,072,524	38,372,940
Net (Decrease) Increase in Cash and Cash Equivalents	(747,228)	12,875,468
Cash and Cash Equivalents - Beginning of year	24,045,464	11,169,996
Cash and Cash Equivalents - End of year	**$ 23,298,236**	**$ 24,045,464**

Note 1 - Nature of Business and Significant Accounting Policies

Organization Purpose - The Skillman Foundation (the "Foundation") was established in 1960 as a private, nonoperating foundation. The Foundation is committed to providing resources to improve the lives of children in metropolitan Detroit by improving their homes, schools, and neighborhoods. It distributes funds primarily to not-for-profits in counties that are deemed appropriate in the opinion of the board of trustees.

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting, which includes recognition of dividends, interest, and expenses as earned and incurred. Investment transactions are reported on a trade-date basis.

Cash Equivalents - The Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Investments - Investments in marketable securities, including fixed income, publicly traded securities, and hedge funds, are carried at quoted fair value whenever available. Private equity limited partnerships, including natural resources and real estate limited partnerships, are valued at fair value based on available information including underlying financial statements and partner reporting as the limited partnerships do not have readily determinable market values as of December 31. The partnership valuations necessarily involve assumptions and methods that are reviewed by the Foundation. Because of the inherent uncertainty of valuations in the absence of a highly liquid market, private equity, real estate, and natural resources, limited partnerships' estimated values may differ materially from the values that would have been used if a ready market for the securities existed.

At December 31, 2015 and 2014, two investment funds accounted for approximately 50 percent and 38 percent, respectively, of total investments held by the Foundation. These investment funds held a variety of underlying investment assets as managed by other managers. See Note 9 for additional information.

At December 31, 2015 and 2014, the Foundation had commitments to contribute approximately $57,000,000 and $44,000,000, respectively, in additional capital under the terms of various agreements covering private equity and limited partnership agreements.

Concentration of Credit Risk Arising from Deposit Accounts - The Foundation maintains cash balances at various banks. Accounts at each institution are not fully insured.

Program Related Investments (PRI) - The Foundation invests in other organizations through direct loans and equity positions to achieve charitable purposes in alignment with the Foundation's strategies.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

PRIs are defined in Section 4944 of the Internal Revenue Code as an investment in which its primary purpose is to accomplish a charitable, educational, or other similar purpose, and in which the production of income or capital appreciation is not a significant purpose of the investment. Like grants, these investments count toward the Foundation's payout requirement in the year of distribution. Return of PRI principal affects the annual payout requirement in a similar manner as a grant refund.

Debt PRIs consist of loans outstanding generally bearing below market interest rates. Loans are measured at fair value at inception to determine if a contribution element exists. Available pricing inputs are unobservable for these investments and the determination of fair value requires management judgment be estimated. These investments are anticipated to have a less than fair market value return. Loans are recorded on a net basis to reflect any reasonable loss reserve. The loss reserve estimate is reviewed on an annual basis and adjusted if collectibility risk has significantly changed based on the Foundation's understanding of the borrower's financial health and/or payment history. It is determined that no loss reserve was necessary at December 31, 2015 or 2014 for the specific loans outstanding.

Grants - Grants are recognized as an expense at the time of formal approval by the board of trustees. Conditional grants, if any, are expensed when such conditions are substantially met.

The Foundation's total net grants include grantmaking expenses of $434,542 and $343,888 for 2015 and 2014, respectively, that support the Foundation's major initiatives and grantmaking goals. These expenses include grant and program evaluations as well as communications, community meetings, and roundtables.

The Foundation matches gifts of cash and securities made by current and retired employees and trustees of up to $15,000 annually per person on a two-to-one basis up to a maximum match of $30,000. Matching grants are made only to public-supported charities as listed in IRS Publication 78, *Cumulative List of Organizations*.

Risks and Uncertainties - The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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 revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including May 20, 2016, which is the date the financial statements were available to be issued.

Upcoming Accounting Pronouncement - In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which will supersede Topic 840, *Leases*. The ASU's purpose is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key lease information. The ASU requires both finance leases and operating leases to be recorded on the lessee's statement of financial position. While both types of leases will be recorded on the statement of financial position, the expense recognition in the statement of income, expenses, and changes in unrestricted net assets will be largely consistent with current guidance. The new guidance will be effective for the Foundation's year ending December 31, 2020. Early implementation of the new guidance is permitted. The Foundation has not yet determined the potential effects of the new standard on the financial statements, if any.

Note 2 - Investments

Investments consisted of the following at December 31:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Global equities	$ 149,647,157	$ 143,376,720	$ 153,326,765	$ 155,192,958
Alternative investments:				
Hedge funds	113,908,888	118,300,248	94,574,036	113,031,330
Private equity limited partnerships	94,194,148	127,305,031	86,510,568	133,903,940
Total alternative investments	208,103,036	245,605,279	181,084,604	246,935,270
Fixed-income investments	26,565,150	26,615,118	29,955,205	30,145,672
Total	$ 384,315,343	$ 415,597,117	$ 364,366,574	$ 432,273,900

Note 2 - Investments (Continued)

Realized and unrealized gains and losses in investments represent the difference between the original cost of the investments and sales proceeds (realized) or the fair market value at the end of the year (unrealized). Cost is determined on a first-in, first-out basis.

	2015	2014
Realized gain on securities	$ 29,693,574	$ 52,224,675
Change in unrealized market appreciation	(35,861,669)	(21,845,630)
Net realized and unrealized (losses) gains on investments	$ (6,168,095)	$ 30,379,045

A summary of changes in cash and investments during the years ended December 31, 2015 and 2014 is shown below:

	Cash and Cash Equivalents	Global Equities	Alternative Investments	Fixed-income Investments
January 1, 2014 - Fair value	$ 11,169,996	$ 139,509,655	$ 299,145,935	$ 19,214,840
Add (deduct) changes during the year ended December 31, 2014:				
Purchases	773,147,362	192,092,364	71,915,789	65,979,043
Sales and maturities - At cost	(760,271,894)	(161,718,163)	(168,959,706)	(55,238,678)
Net (depreciation) appreciation in fair value	-	(14,690,898)	44,833,252	190,467
December 31, 2014 - Fair value	24,045,464	155,192,958	246,935,270	30,145,672
Add (deduct) changes during the year ended December 31, 2015:				
Purchases	192,013,318	14,657,112	79,864,099	20,230,649
Sales and maturities - At cost	(192,760,546)	(18,336,719)	(53,609,551)	(23,620,704)
Net depreciation in fair value	-	(8,136,631)	(27,584,539)	(140,499)
December 31, 2015 - Fair value	$ 23,298,236	$ 143,376,720	$ 245,605,279	$ 26,615,118

Note 3 - Excise and Other Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As a private foundation, the Foundation is subject to an excise tax on net investment income, including realized gains as defined in the Tax Reform Act of 1969.

Note 3 - Excise and Other Taxes (Continued)

The Foundation's excise tax expense as of December 31, 2015 and 2014 is comprised of the following:

	2015	2014
Current excise and other taxes	$ 158,000	$ 1,753,000
Deferred excise tax (recovery) expense	(758,000)	(389,000)
Total excise tax (recovery) expense	$ (600,000)	$ 1,364,000

The deferred excise tax represents the tax on unrealized gains on investment securities.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of December 31, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements, except for the estimated liability recorded for pass-through UBI from investments in partnerships.

Note 4 - Postretirement Benefits

The Foundation provides healthcare benefits for retired employees. The Foundation's employees may become eligible for these postretirement employee benefits. Net periodic postretirement healthcare cost was approximately $51,000 and $64,000 for the years ended December 31, 2015 and 2014, respectively, and increases the postretirement liability for use for future premiums of current employees. In addition, current postretirement healthcare expenses for current retirees are taken against this liability as it has already been expensed. The Foundation had accrued postretirement benefits of approximately $675,000 and $679,000 as of December 31, 2015 and 2014, respectively.

Note 5 - Defined Contribution Plan

The Foundation sponsors a defined contribution 401(k) plan for all eligible full-time employees. The employees may make elective contributions to the 401(k) plan in accordance with IRS regulations. The Foundation makes contributions to the 401(k) plan based upon eligible compensation.

Contributions to the plan for the years ended December 31, 2015 and 2014 totaled $318,759 and $308,398, respectively.

Note 6 - Lease Commitments

The Foundation renewed its lease for office space under an agreement that expires in December 2025. The lease agreement requires monthly payments based on rates per square foot each year.

The future minimum lease payments are as follows:

Years Ending December 31		Amount
2016		$ 138,443
2017		281,082
2018		285,277
2019		289,472
2020		293,667
2021 and thereafter		1,531,026
	Total	$ 2,818,967

Rent expense for 2015 and 2014 was $367,170 and $358,095 respectively.

Note 7 - Grants for Charitable, Educational, and Other Authorized Purposes

Grants are recognized as an expense at the time of formal approval by the board of trustees.

The following summarizes the changes in grants payable as of December 31:

	2015	2014
Grants payable - Beginning of year	$ 2,469,000	$ 1,758,000
Grants approved	18,397,500	18,961,114
Payments made	(16,267,500)	(18,250,114)
Grants payable - End of year	$ 4,599,000	$ 2,469,000

Grant commitments outstanding at December 31, 2015 are scheduled for payment as follows: $2,522,000 for 2016, $977,000 for 2017, $500,000 for 2018 and 2019, and $100,000 for 2020.

Grant commitments outstanding at December 31, 2014 were scheduled for payment as follows: $2,213,000 and $256,000 for 2015 and 2016, respectively.

Note 7 - Grants for Charitable, Educational, and Other Authorized Purposes (Continued)

On June 3, 2014, the board of trustees approved a $3.5 million grant, payable over 20 years, to the Foundation for Detroit's Future (FDF), a supporting organization of the Community Foundation of Southeast Michigan, for the purpose of funding, in part, the City of Detroit's pension obligations. The payment of the grant installments is conditional upon the City of Detroit Pension Funds and others being in compliance with the grant conditions of both an initial and ongoing nature, which have been memorialized in agreements between the parties. The Foundation has made the 2014 and 2015 payments to the FDF totaling $350,000 in 2014. The Foundation has not made any payments to FDF in 2015. The remaining $3,150,000 will be payable upon fulfillment of the conditions as monitored by the FDF. These amounts are not included in grants payable consistent with the Foundation's policy for conditional grants.

Note 8 - Related Party Transactions

The Foundation has been advising and supporting the start-up activities of another not-for-profit organization, Detroit Children's Fund (DCF). The Foundation is performing certain management functions for DCF based on a formal management services agreement. The value of contributed services related to management functions was approximately $96,000 and $21,000 in 2015 and 2014, respectively. In addition, the Foundation paid expenses on behalf of DCF of approximately $2,000 and $17,000 in 2015 and 2014, respectively. The Foundation granted DCF funds totaling $621,000 and $400,000 during 2015 and 2014, respectively.

Note 9 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at December 31, 2015 and 2014 and the valuation techniques used by the Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Note 9 - Fair Value Measurements (Continued)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset. Significant Level 3 inputs include most recently audited financial statements and performance reports from independent sources.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
Cash equivalents	$ 13,298,236	$ 10,000,000	$ -	$ 23,298,236
Global equities and futures contracts	2,473,903	-	140,902,817	143,376,720
Fixed-income investments	12,646,765	-	13,968,353	26,615,118
Hedge funds	-	-	118,300,248	118,300,248
Private equity limited partnerships	-	-	127,305,031	127,305,031
Total	$ 28,418,904	$ 10,000,000	$ 400,476,449	$ 438,895,353

Assets Measured at Fair Value on a Recurring Basis at December 31, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2014
Cash equivalents	$ 24,039,592	$ 5,872	$ -	$ 24,045,464
Global equities and futures contracts	19,126	-	155,173,832	155,192,958
Fixed-income investments	16,116,505	-	14,029,167	30,145,672
Hedge funds	-	-	113,031,330	113,031,330
Private equity limited partnerships	-	-	133,903,940	133,903,940
Total	$ 40,175,223	$ 5,872	$ 416,138,269	$ 456,319,364

Note 9 - Fair Value Measurements (Continued)

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Years Ended December 31, 2015 and 2014

	Global Equities	Fixed-income Funds	Hedge Funds	Private Equity Limited Partnerships
Balance at January 1, 2014	$ 428,552	$ -	$ 112,999,501	$ 177,734,391
Activity for 2014:				
Total realized and unrealized gains included in income	1,860,305	-	11,344,721	31,446,298
Purchases	159,992,449	29,167	54,091,899	16,680,135
Sales	(7,107,474)	14,000,000	(65,404,791)	(91,956,884)
Ending balance at December 31, 2014	155,173,832	14,029,167	113,031,330	133,903,940
Activity for 2015:				
Total realized and unrealized losses included in income	(8,134,296)	(60,814)	(13,302,051)	(14,282,488)
Purchases	12,200,000	-	59,751,958	20,112,141
Sales	(18,336,719)	-	(41,180,989)	(12,428,562)
Ending balance at December 31, 2015	$ 140,902,817	$ 13,968,353	$ 118,300,248	$ 127,305,031

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Foundation's real estate, natural resource funds, limited partnerships, hedge funds, and publicly traded securities, designed to resemble institutional collective fund investments, are categorized as Level 3 investments. The Foundation estimates their fair value based on income information provided by the general partners and fund managers, as well as third-party reports, including audit reports, interim financial statements, listing of underlying investments, and performance reports.

The Foundation's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the end of the reporting period. There were no transfers between levels during the years ended December 31, 2015 and 2014.

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

Note 9 - Fair Value Measurements (Continued)

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investments Held at December 31, 2015

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Event-driven (a)	$ 163,577	$ -	Annually	60-95 days
Directional equity (b)	11,933,309	-	Monthly, quarterly, biannually	45-90 days
Fixed income (c)	13,968,353	-	Quarterly	90 days
Multi-strategy (d)	247,043,024	1,323,643	Quarterly and annually	45-90 days
Fund of hedge funds (e)	63,155	-	N/A	N/A
Real estate private equity (f)	20,383,713	23,427,376	N/A	N/A
Natural resources private equity (g)	20,856,806	6,154,029	N/A	N/A
Private equity - Domestic (h)	42,965,622	7,855,228	N/A	N/A
Private equity - International (h)	43,098,890	18,358,141	N/A	N/A
Total	$ 400,476,449	$ 57,118,417		

Investments Held at December 31, 2014

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Event-driven (a)	$ 15,549,998	$ -	Quarterly, semiannually, and annually	60-90 days
Directional equity (b)	31,466,854	-	Monthly, quarterly, semiannually, and annually	30-90 days
Fixed income (c)	21,683,937	-	Monthly, quarterly, and annually	7-90 days
Multi-strategy (d)	213,352,764	1,359,493	Quarterly and annually	45-90 days
Fund of hedge funds (e)	180,776	-	Quarterly and annually	90-95 days
Real estate private equity (f)	10,906,542	1,045,280	N/A	N/A
Natural resources private equity (g)	24,422,676	8,808,501	N/A	N/A
Private equity - Domestic (h)	50,749,498	11,197,444	N/A	N/A
Private equity - International (h)	47,825,224	21,532,461	N/A	N/A
Total	$ 416,138,269	$ 43,943,179		

(a) **Event-driven** - This strategy involves taking a long or short position in any security (stock, bond, loan) of a corporation that is undergoing some corporate "event." Events include merger, acquisition, spin-off, bankruptcy, and restructuring. For instance, in a merger or acquisition, event-driven managers usually buy the stock of the company that is being acquired, and sell short the stock of the company that is acquiring, a trade which makes money if and when the two companies consummate their merger. In other types of corporate events such as bankruptcy, event-driven managers usually use the bankruptcy to purchase the bonds or loans of the bankrupt company in order to profit from the company's restructuring, either through price appreciation of the security purchased, or through actively working with the company to restructure.

(b) **Directional Equity** - The strategy is similar to the equity market neutral strategy, except the managers do not balance long and short positions. This results in a portfolio that does have some market exposure, but far less than traditional long-only portfolios of stocks.

(c) **Fixed Income** - This strategy is similar to directional equity except that managers use fixed-income securities.

(d) **Multi-strategy** - A hedge fund strategy that involves a combination of any other strategies. Multi-strategy managers add value both by their successful management of each of the underlying strategies, but also in the relative allocation to different strategies in their fund.

Note 9 - Fair Value Measurements (Continued)

(e) **Fund of Hedge Funds** - This asset class seeks to generate returns through diversified portfolios of hedge funds and hedge fund strategies. It should be expected that this asset class will have varying levels of exposure to all of the various hedge fund strategies previously identified. The investments in this asset class will be made in securities of offshore corporations and will have an identifiable, although thinly traded, market for liquidity.

(f) **Real Estate Private Equity** - This asset class seeks to generate returns predominately through the identification of undervalued or mispriced real estate assets or real estate-related companies. Investments would be expected to be made through either public or private equity securities, convertible notes or warrants, or other acquired or originated debt securities. The exposure within this asset class would be expected to be predominately long-only exposure, and will generally be maintaining a long exposure to direct real estate assets or real estate-related companies and securities. Additionally, it is not expected that these assets would be held as marketable securities with an active or easily identifiable market; however, the asset class overall would be expected to generate some level of current income. This exposure is obtained primarily through investments in long-dated limited partnership vehicles and is considered illiquid.

(g) **Natural Resources Private Equity** - This asset class seeks to generate returns predominately through the identification of undervalued or mispriced assets or companies engaged in the exploration, production, transportation, or related services in natural resources such as oil, natural gas, timber, land, minerals, or precious metals, etc. Investments would be expected to be made through either public or private equity securities, convertible notes or warrants, or other acquired or originated debt securities. The exposure within this asset class would be expected to be predominately long-only exposure and will generally be maintaining a long exposure to companies or assets engaged in the basic materials sector. Additionally, it is not expected that these assets would be held as marketable securities with an active or easily identifiable market; however, the asset class overall would be expected to generate some level of current income. This exposure is obtained primarily through investments in long-dated limited partnership vehicles and is considered illiquid.

(h) **Private Equity Domestic and International** - Investments in private equity are typically made through limited partnership structures and are illiquid in nature. Investments are typically made in unlisted companies (companies that are not traded on public exchanges) or, in some cases, listed companies are purchased and taken private. Private equity encompasses a broad array of strategies and securities. Buyout, growth equity, and venture capital strategies purchase equity in private companies at different stages of the company's life cycle. Other strategies, such as mezzanine or special situations, will invest in debt, preferred equity, or other parts of a company's capital structure. Investments may be in any sector of the economy or geography in the world, though funds will typically specialize in specific industries and regions.

Note 10 - Fair Value of Financial Instruments

A summary of the methods and significant assumptions used to estimate the fair values of financial instruments is as follows:

Short-term Financial Instruments - The fair values of short-term financial instruments, including cash equivalents, unsettled trade receivables, dividend and interest receivables, and accrued liabilities approximate the carrying amounts in the accompanying financial statements due to the short maturity of such instruments.

Investments - Investments are recorded at fair value in the accompanying financial statements. Fair value is determined based on the fair value measurement principles described in Note 9.

Grants Payable - The fair value of grants payable approximates the carrying amounts in the accompanying financial statements. The carrying value of the grants payable is based on the present value of future cash outflows. The inputs are based upon the grant terms as directed by the Foundation.

Program-related Investment - The fair value of the receivable approximates the carrying amounts in the accompanying financial statements. The carrying value of the receivable is based on the present value of future cash inflows. The inputs are based upon the loan terms as directed by the Foundation.

Note 11 - Program-related Investments (PRI)

At December 31, 2015 and 2014, the Foundation's PRI portfolio included four loans and one equity investment. The debt investments are summarized in the table below as follows:

	2015	2014
Debt principal amount	$ 621,292	$ 625,000
Equity investment	200,000	200,000
Program-related investments - Net	$ 821,292	$ 825,000

Quarterly interest payments are due on the outstanding debt amounts at interest rates of 1 to 4 percent.