Public Welfare Foundation, Inc.

Financial Statements

As of September 30, 2013 and October 30, 2012
and for the Eleven Months Ended September 30,
2013 and Year Ended October 31, 2012

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
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Eleven Months Ended September 30, 2013
and Year Ended October 31, 2012

Contents

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Independent Auditor's Report

To the Board of Directors
Public Welfare Foundation, Inc.
Washington, D.C.

We have audited the accompanying financial statements of **Public Welfare Foundation, Inc.** (the Foundation), which comprise the statements of financial position as of September 30, 2013 and October 31, 2012, and the related statements of activities, and cash flows for the eleven months ended September 30, 2013 and year ended October 31, 2012, 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 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Public Welfare Foundation, Inc.** as of September 30, 2013 and October 31, 2012, and the changes in its net assets and its cash flows for the eleven months ended September 30, 2013 and year ended October 31, 2012, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

July 23, 2014

Financial Statements

Public Welfare Foundation, Inc.

Statements of Financial Position

		September 30, 2013		October 31, 2012
Assets				
Cash and cash equivalents	**$**	**8,881,054**	$	10,859,969
Due from stockbrokers for securities with settlements pending		**265,660**		89,060
Accrued interest and dividends receivable		**131**		2,624
Investments, at fair value:				
Short-term investments		**4,486,089**		1,756,303
Equity securities:				
Commingled funds		**170,661,556**		193,487,954
Debt securities:				
Commingled funds		**102,986,715**		75,040,343
Other investments		**189,778,107**		171,257,079
Total investments		**467,912,467**		441,541,679
Prepaid expenses, taxes, and other assets		**927,510**		935,883
Property and equipment, net		**10,166,325**		10,341,531
Total assets	**$**	**488,153,147**	$	463,770,746
Liabilities and Net Assets				
Liabilities				
Accrued expenses, taxes, and other liabilities	**$**	**337,175**	$	211,413
Deferred federal excise tax liability		**1,480,511**		1,342,100
Grants payable		**3,395,000**		4,187,500
Bonds payable		**10,800,000**		10,800,000
Total liabilities		**16,012,686**		16,541,013
Commitments and contingencies				
Unrestricted net assets		**472,140,461**		447,229,733
Total liabilities and net assets	**$**	**488,153,147**	$	463,770,746

See accompanying notes to financial statements.

Public Welfare Foundation, Inc.

Statements of Activities

	Eleven months ended September 30, 2013	Year ended October 31, 2012
Investment income and expense		
Interest and dividends	$ 2,724,539	$ 2,982,930
Other investment funds gain, net	25,224,977	8,946,757
Total net income	27,949,516	11,929,687
Realized gain (loss) on sale of equity and debt securities, and other investments, net	14,174,772	(4,838,262)
Unrealized gain on equity and debt securities, and other investments, net	6,920,595	31,584,001
Total net investment gain	21,095,367	26,745,739
Total investment income	49,044,883	38,675,426
Investment advisory, custodial fees and investment expenses	(752,044)	(488,741)
Net investment income and expense	48,292,839	38,186,685
Expenses		
Program expenses:		
Grants approved, net of return	19,507,308	23,193,777
Administrative expenses:		
Salaries and fringe benefits	1,742,667	1,901,417
Professional and consulting fees	379,859	296,537
Other administrative expenses	1,393,580	1,540,381
	23,023,414	26,932,112
Provision for federal excise and other taxes	569,137	783,392
Total expenses	23,592,551	27,715,504
Net operating income	24,700,288	10,471,181
Other income		
Class action settlements	61,545	12,531
Rental and other miscellaneous income	148,895	164,381
Total other income	210,440	176,912
Change in unrestricted net assets	24,910,728	10,648,093
Unrestricted net assets, beginning of year	447,229,733	436,581,640
Unrestricted net assets, end of year	$ 472,140,461	$ 447,229,733

See accompanying notes to financial statements.

Public Welfare Foundation, Inc.

Statements of Cash Flows

	Eleven months ended September 30, 2013	Year ended October 31, 2012
Cash flows from operating activities		
Change in unrestricted net assets	**$ 24,910,728**	$ 10,648,093
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities:		
Depreciation and amortization	**353,847**	353,669
Net realized (gain) loss on sale of equity and debt securities, and other investments	**(14,174,772)**	4,838,262
Net unrealized gain on equity and debt securities, and other investments	**(6,920,595)**	(31,584,001)
Other investment funds gain	**(25,224,977)**	(8,946,757)
(Increase) decrease in assets		
Due from stockbrokers for securities with settlements pending	**(176,600)**	10,735,329
Accrued interest and dividends receivable	**2,493**	119,108
Prepaid expenses, taxes, and other assets	**8,373**	4,965
Increase (decrease) in liabilities		
Accrued expenses, taxes, and other liabilities	**125,762**	(86,914)
Deferred federal excise tax asset/liability	**138,411**	665,969
Grants payable	**(792,500)**	2,695,526
Net cash used in operating activities	**(21,749,830)**	(10,556,751)
Cash flows from investing activities		
Acquisition of property and equipment	**(178,641)**	(19,600)
Proceeds from sale and distributions of investments	**118,124,947**	126,326,274
Purchases of investments	**(98,175,391)**	(110,293,498)
Net cash provided by investing activities	**19,770,915**	16,013,176
Net (decrease) increase in cash and cash equivalents	**(1,978,915)**	5,456,425
Cash and cash equivalents, beginning of year	**10,859,969**	5,403,544
Cash and cash equivalents, end of year	**$ 8,881,054**	$ 10,859,969

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Organization

Public Welfare Foundation, Inc. (the Foundation) was established in 1947, incorporated in Texas and reincorporated in Delaware in 1951, for the purpose of supporting benevolent, charitable, educational or missionary organizations that provide direct services meeting the basic human needs of seriously disadvantaged people and/or working for lasting improvements addressing these needs. The Foundation's grantmaking is organized around the following major program areas: Criminal Justice, Juvenile Justice, and Workers' Rights. Revenues earned are generated by the Foundation's investments. The Foundation uses that investment income (including gains) to fund grants to those organizations and other related expenses.

Summary of Accounting Policies

This summary of accounting policies of the Foundation is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management who is responsible for their integrity and objectivity.

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 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. Significant accounting estimates reflected in the Foundation's financial statements include the determination of fair value of investments, and the calculation of federal excise and income taxes. Actual results could differ from those estimates.

Basis of Accounting

The financial statements of the Foundation are presented in conformity with accounting principles generally accepted in the United States of America and have been prepared using the accrual basis of accounting, which includes recognition of revenue as earned and expenses as incurred.

Cash and Cash Equivalents

The Foundation considers all highly liquid instruments, which have an original maturity of three months or less, to be cash and cash equivalents except for the cash reserve portions of the long-term investment accounts which are recorded with short-term investments in the statements of financial position.

Financial Instruments and Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and investments held at creditworthy financial institutions. Throughout the year, the Foundation's cash accounts at times have exceeded the federally insured limit. The Foundation has not experienced losses in these accounts. The Foundation believes it is not exposed to any significant credit risk on its cash and cash equivalents. By policy, investments are kept within limits designed to prevent risks caused by concentration.

Amounts Due From/To Stockbrokers for Securities with Settlements Pending

The amounts due from (to) stockbrokers for securities with settlements pending result from sales (purchases) of securities made prior to the end of the fiscal year but settled after the fiscal year-end.

Investments

Short-term investments held for reinvestment are included with investments. Investments are stated at fair value. Fair value of investments in marketable securities that are traded on a national securities exchange or listed on NASDAQ are based on current quoted market prices. Investments in limited partnership and other investment funds that invest in marketable securities are valued based on market values of the underlying securities.

In the absence of an active market for such investments, the fair values of investments in limited partnerships and other investment funds that invest in nonmarketable securities, real estate, and oil and gas interests are based upon audited partnership financial statements, adjusted for cash flows and significant unrealized gains and losses for the eleven months ended September 30, 2013 and year ended October 31, 2012. A change in the estimated value may occur in the near term.

Because of the inherent uncertainty of valuation, estimated values may differ significantly from values that would have been used had a ready market for investments existed, and the differences could be material.

Purchases and sales of securities are recorded on a trade-date basis. Realized gains or losses are determined using the proceeds from sales on a first-in, first-out basis. Realized gains and losses include distributions of realized gains and losses from mutual funds. Unrealized gains or losses are determined using quoted market prices and fair values at the respective year-ends. Other investment funds' gains and losses are comprised of the return recognized from limited partnerships and other investment funds.

Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization is provided by the straight-line method over 3 to 40 years. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Expenditures for additions, improvements, and replacements are capitalized and property replaced is accounted for as retirements. The Foundation capitalizes purchases above $1,000 with a useful life greater than one year or that result in the betterment of an existing capital asset.

Impairment of Long-Lived Assets

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Deferred Federal Excise Tax

Deferred taxes arise due to temporary differences between reported amounts of investments and their tax basis. Deferred taxes also arise for the difference between the cash basis used for tax purposes and the accrual basis used for financial statement purposes for investment activities.

Grants Expense

Grants are expensed when they are approved by the Board of Directors or the President of the Foundation. Grants paid over more than one year are recorded at the net present value of the future payments. Grant refunds and cancellations are recorded as reductions of grant expense upon receipt of notification from the grantee.

Tax-Exempt Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is a private foundation under Section 509(a) of the Internal Revenue Code. The Foundation is subject to federal excise tax as well as federal and state unrelated business income tax.

Recent Accounting Pronouncements

Adopted

For the eleven months ended September 30, 2013, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 amends Accounting Standards Codification (ASC) 820, *Fair Value Measurement,* to provide a consistent definition of fair value and improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and International Financial Reporting Standards (IFRS). Some of the amendments clarify the application of existing fair value measurement and disclosure requirements, while other amendments change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. As a result of adopting ASU 2011-04, the Foundation has expanded its fair value disclosures contained in Note 4.

To be Adopted

In October 2012, FASB issued ASU 2012-04, *Technical Corrections and Improvements*. The amendments in this ASU cover a wide range of Topics in the Codification. Those amendments are presented in two sections: Technical Corrections and Improvements (Section A) and Confirming Amendments Related to Fair Value Measurements (Section B).

The amendments in Section A have been categorized as sources literature amendments, guidance clarification and reference corrections, and relocated guidance. The amendments in Section B are intended to conform terminology and clarify certain guidance in various Topics of the Codification to fully reflect the fair value measurement and disclosure requirement of Topic 820. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2013. The Foundation's management is currently evaluating the effect the provisions of ASU 2012-04 will have on the Foundation financial statements.

Change in Fiscal Year End

On October 19, 2012, the Board of Directors of the Foundation approved an amendment to the Foundation's by-laws changing its fiscal year-end to September 30, effective in its 2013 fiscal year. Accordingly, the financial statements presented herein for 2013 reflect 11 months of operations, from November 1, 2012 through September 30, 2013.

2. Investments

Investments held consist of the following at:

	September 30, 2013	October 31, 2012
Short-term	**$ 4,486,089**	$ 1,756,303
Equity securities:		
Commingled funds:		
Commonfund SSgA MSCI Emerging Markets	**22,000,371**	21,934,933
Commonfund Global Natural Resources Stock Index	**4,931,331**	5,115,586
Commonfund Institutional All Capital Equity Fund	**21,179,530**	27,679,457
Commonfund Institutional Multi-Strategy Commodities Fund	**9,550,042**	20,542,989
Commonfund Institutional Multi-Strategy Commodities Fund – Series 46	**-**	1,805,289
Commonfund Strategic Solutions Diversifying Company A01 Fund	**12,742,616**	13,008,501
Commonfund Strategic Solutions Diversifying Company A41 Fund	**1,889,185**	1,928,605
Commonfund Strategic Solutions Diversifying Company A30 Fund	**1,830,843**	1,869,046
Commonfund Strategic Solutions Relative Value & Event Driven Company Class A	**26,486,125**	43,114,470
Commonfund Strategic Solutions Equity Fund	**30,036,846**	22,075,627
Commonfund Strategic Solutions Relative Value & Event Driven Company Class A46	**-**	2,100,197
Harding Loevner International Equity Portfolio	**40,014,667**	32,313,254
	170,661,556	193,487,954
Debt securities:		
Commonfund Institutional Global Bond Fund	**12,534,378**	11,798,047
IRM Core Bond Fund	**29,850,531**	26,825,725
PIMCO – Total Return Fixed Income Portfolio	**27,843,853**	27,125,994
WAMCO	**32,757,953**	9,290,577
	102,986,715	75,040,343

	September 30, 2013	October 31, 2012
Other investment funds:		
Adage Capital Partners, LP	**69,343,896**	54,862,536
Blakeney, LP	**12,730,732**	11,426,946
Carmel Partners Investment Fund, LP	**4,157,728**	8,781,203
Carmel Partners Investment Fund, LP II	**5,752,218**	4,965,922
Carmel Partners Investment Fund, LP III	**4,835,518**	4,192,725
Commonfund Capital International Partners IV, LP	**2,866,349**	3,378,353
Commonfund Capital International Partners VII, LP	**1,813,336**	1,228,534
Commonfund Capital Private Equity V, LP	**2,932,400**	3,453,412
Commonfund Capital Private Equity VII, LP	**6,997,332**	5,992,061
Commonfund Capital Private Equity VIII, LP	**741,258**	309,803
Commonfund Global Distressed Debt Partners II	**1,824,230**	1,897,511
Commonfund Global Distressed Partners III	**3,231,132**	3,482,638
Commonfund Global Distressed Partners IV, LP	**3,474,588**	3,096,843
Commonfund Capital Venture Partners IX, LP	**4,499,521**	2,920,558
Commonfund Capital Venture Partners X, LP	**461,460**	87,500
Commonfund Capital Natural Resources IX	**372,887**	32,887
Commonfund SS Core Real Estate	**6,224,312**	5,537,415
Commonfund SS Real Estate Opportunities Fund 2011	**3,932,517**	1,797,923
Goldman Sachs Global Event Driven PLC	**101,288**	248,703
Goldman Sachs Global Relative Value PLC	**181,036**	490,899
Liquid Realty Partners IV	**2,536,419**	2,650,236
Liquid Realty Partners IV TE AIVLP	**1,426,258**	1,371,591
Merit Energy Partners C – II, LP	**20,079,923**	18,673,922
Merit Energy Partners D – II, LP	**9,892,525**	8,456,402
Merit Energy Partners F – II, LP	**2,792,259**	3,357,508
Merit Energy Canada, LP	**2,594,763**	2,555,825
Merit Energy Canada II, LP	**222,292**	240,546
The Defenders Fund, LP	**-**	603,841
TIFF Partners I, LLC	**-**	109,156
TIFF Partners IV, LLC	**1,899,905**	2,235,091
TIFF Realty & Resources I, LLC	**3,035,909**	3,059,826
TIFF Partners V – US, LLC	**1,368,573**	1,615,688
TIFF Partners V – International, LLC	**1,149,849**	1,265,427
Tuckerbrook - Harbinger	**106,595**	121,308
Tuckerbrook – King Street	**1,568**	14,785
Tuckerbrook - Medley	**620,421**	434,034
Tuckerbrook – Styx	**80,195**	129,639
Tuckerbrook SB Global Distressed Fund I, LP	**5,496,915**	6,177,882
	189,778,107	171,257,079
Total	**$ 467,912,467**	$ 441,541,679

Investment cost, net appreciation (depreciation), and fair market value by investment type consist of the following:

	September 30, 2013		
	Cost	**Net Appreciation (Depreciation)**	**Fair Value**
Short-term investments	**$ 4,486,089**	**$ -**	**$ 4,486,089**
Equity securities:			
Commingled funds	**150,516,450**	**20,145,106**	**170,661,556**
Debt securities:			
Commingled funds	**102,794,809**	**191,906**	**102,986,715**
Other investments	**136,089,545**	**53,688,562**	**189,778,107**
Total	**$ 393,886,893**	**$ 74,025,574**	**$ 467,912,467**

	October 31, 2012		
	Cost	**Net Appreciation (Depreciation)**	**Fair Value**
Short-term investments	$ 1,756,303	$ -	$ 1,756,303
Equity securities:			
Commingled funds	175,652,341	17,835,613	193,487,954
Debt securities:			
Commingled funds	72,028,371	3,011,972	75,040,343
Other investments	124,999,687	46,257,392	171,257,079
Total	$ 374,436,702	$ 67,104,977	$ 441,541,679

The Foundation has commitments to make additional investments of approximately $47,977,738 in other investment funds as of September 30, 2013. The Foundation cannot withdraw from the partnership investments prior to their termination, pursuant to the partnership agreements, and there are restrictions on the transferability of the Foundation's interest in these partnerships. Some partnerships have exit dates pursuant to the partnership agreement.

Substantially all of the Foundation's short-term investments are under the control of a bank custodian.

3. Fair Value Measurements

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate the value:

Cash and short-term investments

The carrying value approximates fair value because of the short maturity of those instruments.

Long-term investments

The fair values are based on quoted market prices for marketable investments, which include equity and debt securities. For other investments for which there are no quoted market prices, the fair value has been based on audited partnership financial statements, corporate interest financial statements, and equity and debt securities financial statements, adjusted for cash flows and significant unrealized losses through the eleven months ended September 30, 2013 and the year ended October 31, 2012.

Grants payable

The fair value of grants payable is based on present value calculations using rates established for United States Treasury Bills with similar terms as the grants.

Bonds payable

The fair value of the bonds is estimated based on current rates offered on long-term Treasury Bills. The discount rate utilized was 3.41% (2.46% for 2012).

The estimated value of the Foundation's financial instruments is as follows:

	September 30, 2013		**October 31, 2012**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets				
Cash and short-term investments	**$ 13,367,143**	**$ 13,367,143**	$ 12,616,272	$ 12,616,272
Long-term investments	**$ 463,426,378**	**$ 463,426,378**	$ 439,785,376	$ 439,785,376
Liabilities				
Grants payable	**$ 3,395,000**	**$ 3,395,000**	$ 4,187,500	$ 4,187,500
Bonds payable	**$ 10,800,000**	**$ 6,984,105**	$ 10,800,000	$ 7,874,395

The following methods and assumptions were used by the Foundation in estimating the fair value of other financial instruments, which consist of investments. The Foundation is subject to the provisions of ASC 820-10, *Fair Value Measurement.* ASC 820-10 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820-10 permits the Foundation, as a practical expedient, to estimate fair value of investments based on the net asset value ("NAV") per share, or its equivalent, if the NAV of such investments is calculated in a manner consistent with the measurement principles of ASC 946, *Financial Services – Investment Companies,* in arriving at their reported NAV. As defined in FASB ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Foundation utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Foundation primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information.

Accordingly, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Foundation is able to classify fair value balances based on the observability of those inputs.

The Foundation's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels. Also, the time between inception and performance of the contract may affect the fair value. The determination of fair value may, therefore, affect the timing of recognition of revenues and the change in unrestricted net assets.

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Foundation's perceived risk of that investment. The three levels of fair value hierarchy are as follows:

Level 1 Inputs: Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Inputs: Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level 3 Inputs: Valuation based on inputs that are unobservable for an asset or liability and shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input therefore reflects the Foundation's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The Foundation's other investments are held in limited partnerships and corporate interests which are valued based on level 3 inputs within the hierarchy used in measuring fair value. Given the absence of market quotations, their fair value is estimated by management using information provided to the Foundation by the investment manager. The values are based on estimates that require varying degrees of judgments. Individual holdings within the limited partnerships and corporate interests may include investments in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, and other investment vehicles. The investments may directly expose the Foundation to the effects of securities lending, short sales of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products.

While these financial instruments contain varying degrees of risk, the Foundation's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment.

The Foundation does not directly invest in the underlying securities of the investment funds and due to restrictions on transferability and timing of withdrawals from the limited partnerships and corporate interests, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

The following table presents the Foundation's assets that are measured at fair value on a recurring basis as of September 30, 2013:

	Level 1	Level 2	Level 3	Totals
Short-term investments	$ 4,486,089	$ -	$ -	$ 4,486,089
Equity securities:				
Commingled Funds	40,014,667	-	51,216,376	91,231,043
Marketable alternatives	-	-	42,948,769	42,948,769
Real assets	-	-	14,481,373	14,481,373
International equity	-	-	22,000,371	22,000,371
Debt securities				
Commingled funds	27,843,853	-	75,142,862	102,986,715
Other investment funds:				
Distressed debt	-	-	14,835,644	14,835,644
Domestic equity	-	-	69,343,896	69,343,896
International equity	-	-	12,730,732	12,730,732
Marketable alternatives	-	-	282,326	282,326
Natural resources	-	-	35,954,647	35,954,647
Private equity	-	-	24,729,983	24,729,983
Private real estate	-	-	31,900,879	31,900,879
Total	$ 72,344,609	$ -	$ 395,567,858	$ 467,912,467

The following table presents the Foundation's assets that are measured at fair value on a recurring basis as of October 31, 2012:

	Level 1	Level 2	Level 3	Totals
Short-term investments	$ 1,756,303	$ -	$ -	$ 1,756,303
Equity securities:				
Commingled Funds	32,313,254	-	49,755,084	82,068,338
Marketable alternatives	-	-	62,020,820	62,020,820
Real assets	-	-	27,463,863	27,463,863
International equity	-	-	21,934,933	21,934,933
Debt securities				
Commingled funds	27,125,994	-	47,914,349	75,040,343
Other investment funds:				
Distressed debt	-	-	15,354,639	15,354,639
Domestic equity	-	-	54,862,536	54,862,536
International equity	-	-	11,426,946	11,426,946
Marketable alternatives	-	-	1,343,442	1,343,442
Natural resources	-	-	33,317,091	33,317,091
Private equity	-	-	22,595,584	22,595,584
Private real estate	-	-	32,356,841	32,356,841
Total	$ 61,195,551	$ -	$ 380,346,128	$ 441,541,679

The following table presents the Foundation's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in FASB ASC 820-10 for the eleven months ended September 30, 2013:

	Equity Securities	Debt Securities	Other Investments	Total
Beginning balance	**$ 161,174,700**	**$ 47,914,349**	**$ 171,257,079**	**$ 380,346,128**
Capital calls	**-**	**-**	**7,066,983**	**7,066,983**
Distributions	**(73,891,985)**	**(11,961,353)**	**(21,202,103)**	**(107,055,441)**
Purchases	**33,217,918**	**39,340,000**	**-**	**72,557,918**
Realized gains	**12,760,210**	**717,759**	**25,224,977**	**38,702,946**
Unrealized (losses) gains	**(2,613,954)**	**(867,893)**	**7,431,171**	**3,949,324**
Ending balance	**$ 130,646,889**	**$ 75,142,862**	**$ 189,778,107**	**$ 395,567,858**

The following table presents the Foundation's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in FASB ASC 820-10 for the year ended October 31, 2012:

	Equity Securities	Debt Securities	Other Investments	Total
Beginning balance	$ 166,434,611	$ 9,961,241	$ 151,290,549	$ 327,686,401
Capital calls	-	-	12,879,228	12,879,228
Distributions	(69,364,293)	(6,453)	(17,054,376)	(86,425,122)
Purchases	59,247,168	36,406,596	-	95,653,764
Realized (losses) gains	(6,864,603)	(26,143)	8,946,760	2,056,014
Unrealized gains	11,721,817	1,579,108	15,194,918	28,495,843
Ending balance	$ 161,174,700	$ 47,914,349	$ 171,257,079	$ 380,346,128

4. Net Asset Value (NAV) Per Share

In accordance with ASU 2009-12, *Fair Value Measurements and Disclosures (Topic 820) – Investment in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent),* the Foundation expanded disclosures to include the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value per share or its equivalent for which fair value is not readily determinable, as of September 30, 2013. For the Foundation, such assets include the limited partnership investments and non-partnership investments.

The following table sets forth a summary of the Foundation's investments with a reported NAV as of September 30, 2013:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period (Days)
Non-partnership investments –				
Equity securities				
Commingled Funds (a)	$ 51,216,376	$ -	Quarterly	60
Marketable alternatives (b)	42,948,769	-	Quarterly	60
Real assets (c)	14,481,373	-	Monthly	5-10
International equity (d)	22,000,371	-	Quarterly	60
Non-partnership investments				
Debt securities				
Commingled Funds (e)	75,142,862	-	Monthly	5-10
Limited partnerships – Other				
Investment funds				
Distressed debt (f)	14,835,644	5,151,442	No immediate liquidity*	n/a
Domestic equity (g)	69,343,896	-	No immediate liquidity*	n/a
International equity (h)	12,730,732	-	No immediate liquidity*	n/a
Marketable alternatives (i)	282,326	-	No immediate liquidity*	n/a
Natural resources (j)	35,954,647	9,550,000	No immediate liquidity*	n/a
Private equity (k)	24,729,983	23,183,527	No immediate liquidity*	n/a
Private real estate (l)	31,900,879	10,092,769	No immediate liquidity*	n/a
	$ 395,567,858	$ 47,977,738		

Non-marketable alternative assets (NMAA), or alternative investments, included above have varying withdrawal restrictions. The typical NMAA fund cycle provides for an initial investment period of 1-5 years, a growth management phase of 2-7 years, and realization/distribution of investment returns over years 7-12.

(a) The investment objective of the commingled funds equity securities is to use a multi-manager approach, allocating assets to investment sub-advisors. In addition, it seeks to achieve its investment objective by allocating assets to sub-advisors using various disciplines to select investments from a universe that includes equity securities issued by U.S. and foreign governments, their agencies and instrumentalities, U.S. and foreign corporations, and asset-backed and mortgage-backed securities.

(b) The investment objective of the marketable alternatives equity securities is to use a multi-manager approach, allocating assets to investment sub-advisors or investment funds managed by third party investment managers. In addition, it seeks to achieve its investment objective by providing shareholders with a multi-manager, marketable alternatives investment program that is capable of outperforming world indexes over a full market cycle, while also providing some protection during down markets.

(c) The investment objective of the real assets equity securities is to use a multi-manager approach, allocating assets to investment sub-advisors, investment funds managed by third party investment managers, and direct investment by the investment manager. Investments are made in a broad spectrum of commodity assets including energy, agricultural goods, metals and foreign currencies. In addition, it seeks to outperform its benchmarks, the Dow Jones-UBS Commodity Index and the MSCI World Natural Resources Index.

(d) The investment objective of the international equity securities is to use a multi-manager approach, allocating assets to investment sub-advisors or investment funds managed by third party investment managers. In addition it seeks to achieve its investment objective by providing investors with an investment program focusing on stocks of companies located in the less developed countries in the world.

(e) The investment objective of the commingled funds debt securities is to use a multi-manager approach, allocating assets to investment sub-advisors. In addition, it seeks to achieve its investment objective by allocating assets to sub-advisors using various disciplines to select investments from a universe that includes securities issued by U.S. and foreign governments, their agencies and instrumentalities, U.S. and foreign corporations, and asset-backed and mortgage-backed securities.

(f) The investment objective of the distressed debt other investment funds is to seek to generate superior risk-adjusted returns through exposure to a broad group of talented distressed debt managers and a variety of distressed debt investment strategies by investments in various private equity funds, hedge funds and partnerships managed by independent investment advisors.

(g) The investment objective of the domestic equity other investment funds is to provide investors with compounded annual long-term returns that are superior to the S&P 500 Index.

(h) The investment objective of the international equity other investment funds is capital appreciation. It seeks to achieve this by investing in a managed portfolio of the securities of companies listed on the stock markets of non-OECD (Organization for Economic Co-operation and Development) countries or of companies the majority of whose sales or assets are in non-OECD countries.

(i) The investment objective of the marketable alternatives other investment funds is to seek capital appreciation over time by investing in multiple strategies including event driven, special situations, and relative value through investing with multiple managers.

(j) The investment objective of the natural resources other investment funds is to acquire certain passive interests in oil and gas properties.

(k) The investment objective of the private equity other investment funds is to invest primarily in other limited partnerships formed for the purpose of making investments in equity securities, warrants or other options that are generally not actively traded at the time of investment.

(l) The investment objective of the private real estate other investment funds is to invest in real estate properties and real estate related assets for capital appreciation and current income.

The following table presents quantitative information regarding unobservable inputs used in determining fair value of investments classified as Level 3 as of September 30, 2013 as follows:

Investment Type	Fair Value	Principal Valuation Techniques	Unobservable Input	Weighted Average
Non-partnership investments –				
Equity securities				
Commingled Funds	$ 51,216,376	Each of the Fund	Unobservable input	n/a
Marketable alternatives	42,948,769	manager's principal	for each underlying	n/a
Real assets	14,481,373	valuation technique	fund's investment	n/a
International equity	22,000,371	is to discount future	are less any liabilities	n/a
Non-partnership investments		cash flows	of the fund	
Debt securities			discount rate and	
Commingled Funds	75,142,862		liquidity discounts.	n/a
Limited partnerships – Other				
Investment funds				
Distressed debt	14,835,644			n/a
Domestic equity	69,343,896			n/a
International equity	12,730,732			n/a
Marketable alternatives	282,326			n/a
Natural resources	35,954,647			n/a
Private equity	24,729,983			n/a
Private real estate	31,900,879			n/a
	$ 395,567,858			

Level 3 Valuation Process

The Foundation's investment advisor performs on-going due diligence of the funds which includes benchmarking and comparing the results of the fund to certain indexes such as the S&P Index. The Foundation's investment advisor also has regular calls with management of the funds and meets periodically with the Foundation investment committee and reports the performance of the funds. The investment advisor also analyzes and reports back to the Foundation finance committee on the performance of funds' management. There were no changes in valuation techniques noted for these funds for the eleven months ended September 30, 2013 and the year ended October 31, 2012.

Level 3 Sensitivity of Fair Value Measurements and Changes in Significant Unobservable Inputs

The significant unobservable inputs used in the fair value measurement of the Foundation's investments are subject to market risks resulting from changes in the market value of its investment. Each investment manager's portfolio is audited annually by the respective manager's independent auditors.

5. Property and Equipment

Property and equipment consist of the following as of:

	September 30, 2013	October 31, 2012
Building and building improvements	$ 12,267,683	$ 12,095,289
Land and land improvements	1,690,863	1,690,863
Furniture, fixture and equipment	1,436,977	1,430,730
	15,395,523	15,216,882
Less: accumulated depreciation and amortization	5,229,198	4,875,351
Total	$ 10,166,325	$ 10,341,531

6. Federal Excise and Other Taxes

In accordance with applicable provisions of the Internal Revenue Code, (the Code), the Foundation is subject to federal excise tax imposed on private foundations at 2%, or 1% if certain conditions are met, and is subject to corporate income tax on its unrelated business income. The excise tax is imposed on net investment income, excluding unrealized gains, as defined under federal law. The Foundation has recorded its tax liability utilizing a rate of 2% for the eleven months ended September 30, 2013, and was taxed at a rate of 2% for the year ended October 31, 2012.

The provision for tax expense consists of the following components for the:

	Eleven months ended September 30, 2013	Year ended October 31, 2012
Current	$ 430,726	$ 117,423
Deferred	138,411	665,969
Total provision for federal excise and other tax expense	$ 569,137	$ 783,392

Current taxes for the eleven months ended September 30, 2013 and year ended October 31, 2012, were $430,726 and $117,423, respectively. Current taxes are related primarily to federal excise tax and unrelated business income generated as a result of the Foundation's investment income in various states. Included in the 2013 expense provision is a credit in the amount of $132,615, which is the result of a net operating loss carry back to Form 990T for fiscal year 2007. No provisional estimates for income taxes on the state level have been made as the amounts were deemed to be immaterial in 2013 and 2012.

The Foundation recorded a deferred federal excise tax liability for the eleven months ended September 30, 2013 and year ended October 31, 2012 on net unrealized investment gains at a rate of 2% in 2013 and 2012 in the amounts of $1,480,511 and $1,342,100, respectively.

In addition, the code requires that certain minimum distributions be made. The Foundation has made the required minimum distributions as of September 30, 2013 and October 31, 2012. Under FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely than not that the position will be sustained. The Foundation believes that it has appropriate support for the excise and unrelated business income tax positions taken and, as such, does not have any uncertain tax positions that result in a material impact on the Foundation's financial position or statements of activities.

The Foundation is still open to examination by U.S. tax authorities from fiscal year 2010 forward. The Foundation is also open to examination by state tax authorities for various tax years. For the eleven months ended September 30, 2013, $4,844 in interest expense was recorded in the statements of activities that related to amended tax returns for fiscal year 2009 and fiscal year 2010. For the year ended October 31, 2012, no interest or penalties were recorded in the statements of activities.

7. Bonds Payable

On March 30, 2000, the Foundation issued $11,000,000 in variable interest rate District of Columbia Revenue Series Revenue Bonds, maturing on March 1, 2025. The bonds were collateralized by a bank letter of credit expiring March 31, 2015.

Effective November 1, 2010, the Foundation entered into a new bond agreement with TD Bank who would be the new bond holder of the District of Columbia Revenue Series 2000 Revenue Bonds. Pursuant to the new loan agreement with TD Bank, the bond agreement will mature on November 1, 2025. As part of the agreement, the lender does not have the right to call the principal before the maturity date. However, on July 12, 2011, the Foundation directed the Trustee, on behalf of the District of Columbia, to optionally redeem $200,000 of the bonds, resulting in an outstanding obligation of $10,800,000 as of September 30, 2013 and October 31, 2012.

Additionally, effective November 1, 2010, the Foundation amended and restated the Indenture of Trust to revise the term of the District of Columbia Revenue Series 2000 Revenue Bonds, to mature on October 31, 2035.

The interest rate as of September 30, 2013 and October 31, 2012, was 1.53% and 1.54%, respectively. Interest expense included in other administrative expenses was $155,861 for the eleven months ended September 30, 2013 and $173,756 for the year ended October 31, 2012.

8. Salaries and Fringe Benefits

Included in salaries and fringe benefits are contributions to a qualified defined contribution 401(k) plan. The Foundation maintains this plan, established under section 401(k) of the Internal Revenue Code (the Code), for all of its employees. Upon the start of employment, employees may defer a portion of their salary up to the maximum amount allowable under section 415 of the IRC. Employees become eligible for employer contributions upon the completion of one year of service, at which time the Foundation is required to contribute 12% of eligible employees' total compensation to the plan. During 2013 and 2012, the Foundation's contributions to the 401(k) plan and related expenses totaled $159,456 and $150,576, respectively. Participants are fully vested in all contributions.

9. Grants

Grants consist of:

	Eleven months ended September 30, 2013	Year ended October 31, 2012
Current year:		
Grants approved	**$ 19,399,800**	$ 23,098,950
Contributed rental space	**139,056**	158,182
	19,538,856	23,257,132
Prior years:		
Returned grants	**(31,548)**	(63,355)
	(31,548)	(63,355)
Net grants	**$ 19,507,308**	$ 23,193,777

Grants payable were $3,395,000 and $4,187,500 at September 30, 2013 and October 31, 2012, respectively.

10. Minimum Distribution Requirement

The Internal Revenue Code requires that qualifying distributions be paid in accordance with a specified formula. At September 30, 2013, the Foundation had excess distributions that can be carried over to fiscal year 2014 of approximately $20,600,000. These carryover distributions can be applied towards the fiscal year 2014 minimum distribution requirement.

11. Supplemental Disclosure of Cash Flow Information

Cash paid for interest and taxes was as follows for the:

	Eleven months ended September 30, 2013	Year ended October 31, 2012
Interest expense paid	**$ 155,861**	$ 173,756
Excise and other taxes paid	**$ 364,582**	$ 170,692

12. Commitments

The Foundation and the Washington Legal Clinic for the Homeless (WLCH), a non-profit corporation, executed a new lease agreement effective November 15, 2009 through November 14, 2010. The lease is renewable for additional consecutive one-year periods at WLCH's election.

WLCH is required to pay the Foundation an annual Fixed Use Fee of One Dollar per year and has exercised its option to renew on a year-to-year basis.

The fair market value of the rental income and grant expense related to the agreement was $139,056 and $158,182 for the eleven months ended September 2013 and year ended October 31, 2012, respectively, and is included in the statements of activities.

13. Subsequent Events

The Foundation evaluated subsequent events through July 23, 2014, which is the date the financial statements were available to be issued. There were no events noted that required adjustment to or disclosure in these financial statements.