Public Welfare Foundation, Inc.

Financial Statements
Years Ended September 30, 2017 and 2016

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

Public Welfare Foundation, Inc.

Financial Statements

Years ended September 30, 2017 and 2016

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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, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

June 22, 2018

Financial Statements

Public Welfare Foundation, Inc.

Statements of Financial Position

September 30,		**2017**		2016
Assets				
Cash and cash equivalents	**$**	**3,444,115**	$	5,858,528
Due from stockbrokers for securities with settlements pending		**10,584,500**		181,216
Accrued interest and dividends receivable		**12,174**		1,788
Investments, at fair value:				
Short-term investments		**6,263,213**		3,701,378
Equity securities		**289,493,178**		235,067,942
Fixed income securities		**85,769,761**		137,137,240
Other investments		**107,922,029**		96,157,234
Total investments		**489,448,181**		472,063,794
Prepaid expenses, taxes, and other assets		**1,318,955**		1,060,771
Property and equipment, net		**8,525,550**		8,855,632
Total assets	**$**	**513,333,475**	$	488,021,729
Liabilities and net assets				
Liabilities				
Accrued expenses, taxes, and other liabilities	**$**	**301,255**	$	272,976
Deferred federal excise tax liability		**850,270**		394,377
Grants payable		**1,417,000**		1,542,000
Bonds payable		**10,378,512**		10,347,579
Total liabilities		**12,947,037**		12,556,932
Commitments and contingencies				
Unrestricted net assets		**500,386,438**		475,464,797
Total liabilities and net assets	**$**	**513,333,475**	$	488,021,729

See accompanying notes to financial statements.

Public Welfare Foundation, Inc.

Statements of Activities

Years ended September 30,	**2017**	2016
Investment income and expense		
Interest and dividends	**$ 1,045,319**	$ 1,356,204
Other investments gain, net	**16,342,495**	4,688,969
Total net income	**17,387,814**	6,045,173
Realized gain (loss) on sale of equity and fixed income securities, and other investments, net	**11,682,974**	(4,975,264)
Unrealized gain on equity and fixed income securities, and other investments, net	**22,816,249**	30,703,986
Total net investment gain	**34,499,223**	25,728,722
Total investment income	**51,887,037**	31,773,895
Investment advisory, custodial fees and investment expenses	**(849,191)**	(742,303)
Net investment income and expense	**51,037,846**	31,031,592
Expenses		
Program expenses:		
Grants approved, net of return	**21,066,091**	18,537,741
Administrative expenses:		
Salaries and fringe benefits	**2,130,820**	2,005,157
Professional and consulting fees	**916,595**	782,598
Other administrative expenses	**1,596,463**	1,626,140
	25,709,969	22,951,636
Provision for federal excise and other taxes	**616,852**	780,523
Total expenses	**26,326,821**	23,732,159
Net operating income	**24,711,025**	7,299,433
Other income		
Class action settlements	**20,402**	7,348
Rental and other miscellaneous income	**190,214**	166,621
Total other income	**210,616**	173,969
Change in unrestricted net assets	**24,921,641**	7,473,402
Unrestricted net assets, beginning of year	**475,464,797**	467,991,395
Unrestricted net assets, end of year	**$ 500,386,438**	$ 475,464,797

See accompanying notes to financial statements.

Public Welfare Foundation, Inc.

Statements of Cash Flows

Years ended September 30,	**2017**	2016
Cash flows from operating activities		
Change in unrestricted net assets	**$ 24,921,641**	$ 7,473,402
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities:		
Depreciation and amortization	**391,513**	406,322
Net realized (gain) loss on sale of equity and fixed income securities, and other investments	**(11,682,974)**	4,975,264
Net unrealized gain on equity and fixed income securities, and other investments	**(22,816,249)**	(30,703,986)
Other investments gain	**(16,342,495)**	(4,688,969)
(Increase) decrease in assets		
Due from stockbrokers for securities with settlements pending	**(10,403,284)**	355,874
Accrued interest and dividends receivable	**(10,386)**	(1,679)
Prepaid expenses, taxes, and other assets	**(258,184)**	(543,526)
Increase (decrease) in liabilities		
Accrued expenses, taxes, and other liabilities	**28,279**	17,725
Deferred federal excise tax asset/liability	**455,893**	610,854
Grants payable	**(125,000)**	(2,344,500)
Net cash used in operating activities	**(35,841,246)**	(24,443,219)
Cash flows from investing activities		
Acquisition of property and equipment	**(30,498)**	(3,411)
Proceeds from sale and distributions of investments	**178,025,987**	110,346,710
Purchases of investments	**(144,568,656)**	(89,971,490)
Net cash provided by investing activities	**33,426,833**	20,371,809
Net decrease in cash and cash equivalents	**(2,414,413)**	(4,071,410)
Cash and cash equivalents, beginning of year	**5,858,528**	9,929,938
Cash and cash equivalents, end of year	**$ 3,444,115**	$ 5,858,528

See accompanying notes to financial statements.

1. 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 advance justice and opportunity for people in need. These efforts honor the Foundation's core values of racial equality, economic well-being, and fundamental fairness for all. The Foundation's grantmaking is organized around the following major program areas: Criminal Justice, Youth Justice (formerly known as Juvenile Justice), and Workers' Rights, with a special initiative on Civil Legal Aid for the poor. Revenues earned are generated by the Foundation's investments. The Foundation uses that investment income to fund grants to those organizations and other related expenses.

2. Summary of Significant Accounting Policies

This summary of significant 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 reduce 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

Investments are comprised of short-term investments, equity and fixed income securities, as well as, other investments. Due to 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. 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.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the current year presentation.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), which is the leasing standard for both lessees and lessors. Under this update, a lessee will recognize lease assets and liabilities on the statement of financial position for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with existing U.S. GAAP. The ASU will be effective for periods beginning after December 15, 2019. This guidance is effective for the Foundation’s fiscal year 2021. Management is currently determining the impact that adopting of this guidance will have on the Foundation’s financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which improves the presentation of financial statements of not-for-profit entities such as charities, foundations, universities, and nonprofit health care providers, etc. The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. This guidance is effective for the Foundation’s fiscal year 2019. Management is currently determining the impact that adopting this guidance will have on the Foundation’s financial statements.

3. Investments

Investments held consist of the following as of September 30:

		2017		2016
Short-term investments	$	**6,263,213**	$	3,701,378
Equity securities:				
Adage Capital Partners, LP		**117,879,517**		99,081,364
Ariel International Fund		**25,000,000**		-
Blakeney, LP		**10,362,834**		9,276,369
Commonfund Emerging Markets Quantitative Focus Fund		**14,029,625**		787,930
Commonfund Institutional Core Equity Fund		**22,000,000**		-
Commonfund Institutional Multi-Strategy Commodities Fund		**-**		6,568,698
Commonfund International Focus Fund I, LLC		**21,920,020**		19,972,370
Commonfund SSgA Global Natural Resources Stock Index		**24,490,032**		18,470,277
Commonfund SSgA MSCI Japan Index Fund		**7,060,760**		15,240,558
Commonfund SSgA MSCI Canada Index Fund		**6,973,911**		-
Commonfund Strategic Solutions Diversifying Company A01 Fund		**-**		10,912,092
Commonfund Strategic Solutions Equity Fund		**-**		16,458,036
Goldman Sachs Event Driven PLC		**34,808**		53,712
Goldman Sachs Global Relative Value PLC		**-**		1
Harding Loevner Global Equity Fund		**-**		15,182,435
Matarin Capital Management		**20,000,000**		-
T. Rowe Price European Equity Fund		**19,741,671**		23,064,100
		289,493,178		235,067,942
Fixed income securities:				
Commonfund Brigade Leverage Capital		**11,515,567**		10,550,380
Commonfund Caxton Global Investments		**9,514,180**		9,761,680
Commonfund Hudson Bay International		**2,010,125**		7,528,575
Commonfund Institutional Global Bond Fund		**-**		15,109,585
Commonfund SSgA US Aggregate Bond Index Fund		**-**		38,554,916
Commonfund Western Asset Macro Opportunities Direct Feeder Fund		**12,477,568**		11,045,160
Income Research & Management (IRM) Core Bond Fund		**45,060,881**		44,586,944
Waterfront CP Offshore Fund Ltd.		**5,191,440**		-
		85,769,761		137,137,240

	2017	2016
Other investments:		
Carmel Partners Investment Fund, LP	**29,002**	35,212
Carmel Partners Investment Fund II, LP	**1,323,723**	1,672,200
Carmel Partners Investment Fund III, LP	**3,131,739**	4,441,562
Cerberus Offshore Levered Loan Opportunities III, LP	**3,237,735**	-
Commonfund Capital International Partners IV, LP	**791,681**	1,016,062
Commonfund Capital International Partners VII, LP	**4,652,885**	3,801,227
Commonfund Capital Natural Resources IX, LP	**8,235,551**	6,384,665
Commonfund Capital Natural Resources X, LP	**2,883,987**	828,122
Commonfund Capital Private Equity V, LP	**817,668**	1,395,289
Commonfund Capital Private Equity VII, LP	**7,673,317**	8,343,818
Commonfund Capital Private Equity VIII, LP	**4,488,312**	3,817,651
Commonfund Capital Venture Partners IX, LP	**13,382,422**	12,662,207
Commonfund Capital Venture Partners X, LP	**6,286,387**	5,380,115
Commonfund Capital Venture Partners XI, LP	**2,165,158**	969,571
Commonfund Capital Venture Partners XII, LP	**13,006**	-
Commonfund Distressed Debt Partners II, LP	**557,936**	557,668
Commonfund Global Distressed Partners III, LP	**1,176,955**	1,503,987
Commonfund Global Distressed Investors IV, LP	**1,072,121**	1,329,318
Commonfund Strategic Solutions Core Real Estate, LP	**9,261,055**	8,617,057
Commonfund Strategic Solutions Real Estate Opportunities Fund 2011, LP	**7,044,229**	6,942,355
Commonfund Strategic Solutions Real Estate Opportunities Fund 2014, LP	**8,856,660**	7,871,919
Commonfund Capital Strategic Solutions Global Private Equity Fund, LP	**5,422,638**	2,403,142
Commonfund Capital Strategic Solutions Global Private Equity Fund II, LP	**1,069,847**	-
Liquid Realty Partners IV, LP	**184,314**	190,617
Liquid Realty Partners IV Tax Exempt AIV, LP	**215,409**	226,149
Merit Energy Partners C – II, LP	**2,206,443**	1,985,426
Merit Energy Partners D – II, LP	**2,425,715**	2,593,030
Merit Energy Partners F – II, LP	**1,377,380**	1,919,656
Merit Energy Canada, LP	**2,590,425**	2,570,612
Merit Energy Canada II, LP	**15,404**	47,865
TIFF Partners IV, LLC	**359,689**	411,316
TIFF Realty & Resources I, LLC	**684,112**	848,039
TIFF Partners V – US, LLC	**435,508**	637,551
TIFF Partners V – International, LLC	**187,603**	333,374
Tuckerbrook – Medley, LP	**560,174**	563,070
Tuckerbrook – Styx, LP	**31,615**	44,999
Tuckerbrook – Special Situations Fund, LP	**134,598**	134,598
Tuckerbrook SB Global Distressed Fund I, LP	**2,939,626**	3,677,785
	107,922,029	96,157,234
Total	**$ 489,448,181**	$ 472,063,794

Investment cost, net appreciation, and fair market value by investment type consist of the following as of September 30:

2017			
	Cost	**Net Appreciation**	**Fair Value**
Short-term investments	**$ 6,263,213**	**$ -**	**$ 6,263,213**
Equity securities	**259,152,792**	**30,340,386**	**289,493,178**
Fixed income securities	**78,843,821**	**6,925,940**	**85,769,761**
Other investments	**102,674,869**	**5,247,160**	**107,922,029**
Total	**$ 446,934,695**	**$ 42,513,486**	**$ 489,448,181**

2016			
	Cost	**Net Appreciation**	**Fair Value**
Short-term investments	$ 3,701,378	$ -	$ 3,701,378
Equity securities	227,853,150	7,214,792	235,067,942
Fixed income securities	129,578,177	7,559,063	137,137,240
Other investments	91,212,261	4,944,973	96,157,234
Total	$ 452,344,966	$ 19,718,828	$ 472,063,794

The Foundation has commitments to make additional investments of $75,370,827 in other investments as of September 30, 2017. 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. 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.

4. 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 for marketable investments, which include equity and fixed income securities, which are traded on a national securities exchange 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 investments 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 years ended September 30, 2017 and 2016.

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 2.16% (1.60% for 2016).

The estimated value of the Foundation's financial instruments is as follows at September 30:

	2017		**2016**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets				
Cash and short-term investments	**$ 9,707,328**	**$ 9,719,502**	$ 9,559,906	$ 9,561,694
Long-term investments	**$ 483,184,968**	**$ 483,184,968**	$ 468,362,416	$ 468,362,416
Liabilities				
Grants payable	**$ 1,417,000**	**$ 1,417,000**	$ 1,542,000	$ 1,542,000
Bonds payable	**$ 10,800,000**	**$ 9,299,456**	$ 10,800,000	$ 9,214,816

The following methods and assumptions were used by the Foundation in estimating the fair value of financial instruments. The Foundation is subject to the provisions of FASB Accounting Standards Codification (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 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 NAV. 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, 2017:

	Level 1	Level 2	Level 3	Investments Measured at NAV*	Totals
Short-term investments	$ 6,263,213	$ -	$ -	$ -	$ 6,263,213
Equity securities:					
Domestic equity	25,000,000	-	-	159,879,517	184,879,517
Marketable alternatives	-	-	-	34,808	34,808
Real assets	-	-	-	24,490,032	24,490,032
International equity	-	-	-	80,088,821	80,088,821
Fixed income securities	-	-	-	85,769,761	85,769,761
Other investments:					
Distressed debt	-	-	-	6,473,025	6,473,025
Natural resources	-	-	-	19,734,905	19,734,905
Private equity, venture capital, other	-	-	-	50,983,855	50,983,855
Private real estate	-	-	-	30,730,244	30,730,244
Total	$ 31,263,213	$ -	$ -	$ 458,184,968	$ 489,448,181

**Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.*

The following table presents the Foundation's assets that are measured at fair value on a recurring basis as of September 30, 2016:

	Level 1	Level 2	Level 3	Investments Measured at NAV*	Totals
Short-term investments	$ 3,701,378	$ -	$ -	$ -	$ 3,701,378
Equity securities:					
Domestic equity	15,182,435	-	-	115,539,403	130,721,838
Marketable alternatives	-	-	-	10,965,802	10,965,802
Real assets	-	-	-	25,038,975	25,038,975
International equity	-	-	-	68,341,327	68,341,327
Fixed income securities	-	-	-	137,137,240	137,137,240
Other investments:					
Distressed debt	-	-	-	7,811,425	7,811,425
Natural resources	-	-	-	16,329,376	16,329,376
Private equity, venture capital, other	-	-	-	41,171,323	41,171,323
Private real estate	-	-	-	30,845,110	30,845,110
Total	$ 18,883,813	$ -	$ -	$ 453,179,981	$ 472,063,794

**Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.*

5. 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, 2017. 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, 2017:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period (Days)
Equity securities				
Domestic equity (a)	**$ 159,879,517**	**$ -**	Quarterly	95
Marketable alternatives (b)	**34,808**	**-**	Quarterly	95
Real assets (c)	**24,490,032**	**-**	Monthly	5
International equity (d)	**80,088,821**	**-**	Monthly	5
Fixed income securities (e)	**85,769,761**	**-**	Monthly	5
Other investments				
Distressed debt(f)	**6,473,025**	**5,151,442**	No immediate liquidity*	n/a
Natural resources (g)	**19,734,905**	**10,300,000**	No immediate liquidity*	n/a
Private equity (h)	**50,983,855**	**41,461,080**	No immediate liquidity*	n/a
Private real estate (i)	**30,730,244**	**18,458,305**	No immediate liquidity*	n/a
	$ 458,184,968	**$75,370,827**		

**Alternative investments listed above have varying withdrawal restrictions. The typical alternative investment 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.*

The following table sets forth a summary of the Foundation's investments with a reported NAV as of September 30, 2016:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period (Days)
Equity securities				
Domestic equity (a)	$ 115,539,403	$ -	Quarterly	95
Marketable alternatives (b)	10,965,802	-	Quarterly	95
Real assets (c)	25,038,975	-	Monthly	5
International equity (d)	68,341,327	-	Monthly	5
Fixed income securities (e)	137,137,240	-	Monthly	5
Other investments				
Distressed debt (f)	7,811,425	5,151,442	No immediate liquidity*	n/a
Natural resources (g)	16,329,376	13,825,000	No immediate liquidity*	n/a
Private equity (h)	41,171,323	21,510,915	No immediate liquidity*	n/a
Private real estate (i)	30,845,110	9,509,753	No immediate liquidity*	n/a
	$ 453,179,981	$ 49,997,110		

**Alternative investments listed above have varying withdrawal restrictions. The typical alternative investment 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 domestic equity program consists of multiple managers who primarily trade diversified stocks and securities of U.S. publicly traded equities with multiple market capitalizations. There are differing objectives for each manager: either to outperform the S&P 500 or the Russell 2000, depending on the manager's strategy.

(b) The marketable alternatives equity securities program uses a multi-manager approach, allocating assets to investment sub-advisors or third-party managers. The investment objective is to target attractive risk-adjusted absolute returns with volatility and correlation that are lower than the broad equity markets.

(c) Real assets equity securities investments are made in a broad spectrum of commodity assets including energy, agricultural goods, metals and foreign currencies. This strategy seeks to outperform its benchmarks, the various MSCI World Resources Industry indices over the long term.

(d) The international equity securities program focuses on stocks of companies in foreign countries including companies located in less developed countries in the world. It uses a multi-manager approach, allocating assets to investment sub-advisors or investment funds managed by third party investment managers.

(e) Fixed income funds use a multi-manager approach, with allocations to sub-advisors, who use various disciplines to select investments from a universe that includes securities issued by U.S. and foreign governments, their agencies and instrumentalities, and U.S. and foreign corporations. These funds also include hedge funds investing in strategies such as debt and equity of leveraged companies, event driven, long/short credit, structured credit, distressed debt and capital structure arbitrage.

(f) Distressed debt other investments seek to generate superior risk-adjusted returns through exposure to a broad group of talented distressed debt managers and distressed debt investments in private equity, hedge funds and partnerships.

(g) The investment objective of the natural resources other investments is to acquire certain passive interests in oil, gas and other natural resource-related investments to obtain long-term growth of capital.

(h) Private equity, venture capital, other investments seek to invest primarily in direct or co-investment in operating companies, or in other limited partnerships formed for the purpose of making investments in emerging growth companies not normally accessible through traditional equity investing. This category also includes investments in secured debt assets through direct lending to middle-market companies. The investment objective is to obtain long-term growth of capital through domestic or global investment.

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

6. Property and Equipment

Property and equipment consist of the following as of September 30:

		2017		2016
Building and building improvements	**$**	**11,692,649**	$	11,692,649
Land and land improvements		**1,690,863**		1,690,863
Furniture, fixture and equipment		**1,267,167**		1,236,669
		14,650,679		14,620,181
Less: accumulated depreciation and amortization		**6,125,129**		5,764,549
Total	**$**	**8,525,550**	$	8,855,632

7. 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 provision for tax expense consists of the following components for the years ended September 30:

		2017		2016
Current	**$**	**160,959**	$	169,669
Deferred		**455,893**		610,854
Total provision for federal excise and other tax expense	**$**	**616,852**	$	780,523

Current taxes for the years ended September 30, 2017 and 2016 were $160,959 and $169,669, respectively. The Foundation has recorded its tax liability utilizing a rate of 1% for the years ended September 30, 2017 and 2016, 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. No provisional estimates for income taxes on the state level have been made as the amounts were deemed to be immaterial in 2017 and 2016.

The Foundation recorded a deferred federal excise tax liability for the years ended September 30, 2017 and 2016, at a rate of 2% of net unrealized investment gains in the amount of $850,270 and $394,377, respectively.

In addition, the code requires that certain minimum distributions be made. The Foundation has made the required minimum distributions as of September 30, 2017 and 2016. 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 2014 forward. The Foundation is also open to examination by state tax authorities for various tax years. For the years ended September 30, 2017 and 2016, no interest or penalties were recorded in the statements of activities that related to amended tax returns.

8. 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.

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, 2017 and 2016.

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, 2017 and 2016, was 2.25% and 1.74%, respectively. Bond interest expense included in other administrative expenses for the years ended September 30, 2017 and 2016 was $217,567 and $182,646, respectively.

The financial statements reflect the liability for bonds payable as of September 30, offset by related debt issuance costs. Amortization of capitalized interest and refinancing costs of $30,933 were recognized in both 2017 and 2016. Net bonds payable as of September 30:

	2017	2016
Bonds payable	**$ 10,800,000**	$ 10,800,000
Less: capitalized interest refinancing costs (net)	**421,488**	452,421
Net bonds payable	**$ 10,378,512**	$ 10,347,579

9. 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 2017 and 2016, the Foundation's contributions to the 401(k) plan and related expenses totaled $198,800 and $184,418, respectively. Participants are fully vested in all contributions.

10. Grants

Grants consisted of the following as of September 30:

	2017	2016
Current year:		
Grants approved	**$ 20,954,287**	$ 18,371,120
Deferred multi-year grant discount	**(13,000)**	-
Contributed rental space	**189,463**	166,621
	21,130,750	18,537,741
Prior years:		
Returned grants	**(64,659)**	-
Net grants	**$ 21,066,091**	$ 18,537,741

Grants payable were $1,417,000 and $1,542,000 at September 30, 2017 and 2016, respectively.

11. Minimum Distribution Requirement

The Internal Revenue Code requires that qualifying distributions be paid in accordance with a specified formula. At September 30, 2017, the Foundation had excess distributions that can be carried over to fiscal year 2018 of approximately $7,400,000. These carryover distributions can be applied towards the fiscal year 2018 minimum distribution requirement.

12. Supplemental Disclosure of Cash Flow Information

Cash paid for interest and taxes was as follows for the year ended September 30:

	2017	2016
Interest expense paid	**$ 217,567**	$ 182,753
Excise and other taxes paid	**$ 411,617**	$ 726,831

13. Commitments

The Foundation and the Washington Legal Clinic for the Homeless (WLCH), a non-profit corporation, are committed under a lease agreement effective through November 14, 2018. 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 $189,462 and $166,621 for the years ended September 2017 and 2016 respectively, and is included in the statements of activities.

14. Subsequent Events

The Foundation evaluated subsequent events through June 22, 2018, 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.