ELBRIDGE STUART FOUNDATION
DBA STUART FOUNDATION

FINANCIAL STATEMENTS

For the Years Ended
December 31, 2015 and 2014

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Independent Auditors' Report

Board of Directors
Elbridge Stuart Foundation
dba Stuart Foundation

We have audited the accompanying financial statements of Elbridge Stuart Foundation dba Stuart Foundation, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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.

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Independent Auditors' Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elbridge Stuart Foundation dba Stuart Foundation as of December 31, 2015 and 2014, 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.

Bregante + Company LLP

San Francisco, California

September 13, 2016

ELBRIDGE STUART FOUNDATION
DBA STUART FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 338,859	$ 735,116
Investments receivable	593,205	8,010,183
Other receivables	-	649
Due from related entity	6,912,082	6,912,082
Investments, at fair value	487,622,426	504,461,670
Prepaid expenses and other assets	225,594	197,408
Property and equipment, net	1,272,548	1,534,410
Total assets	$ 496,964,714	$ 521,851,518
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 367,214	$ 458,335
Grants payable	1,865,000	3,760,010
Deferred taxes	1,971,176	2,576,797
Excise tax payable	23,299	398,426
Total liabilities	4,226,689	7,193,568
Unrestricted net assets	492,738,025	514,657,950
Total liabilities and net assets	$ 496,964,714	$ 521,851,518

See accompanying notes to the financial statements

ELBRIDGE STUART FOUNDATION
DBA STUART FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2015 and 2014

	2015	2014
Changes in unrestricted net assets:		
Revenue:		
Dividends, interest, and operating income from investments	$ 9,056,874	$ 9,865,810
Net gain (loss) on investments:		
Realized	26,978,589	27,158,161
Unrealized	(30,281,023)	85,514
Total revenue	5,754,440	37,109,485
Expenses:		
Program services	5,046,208	4,980,349
Grants	17,457,758	18,385,471
Investment management fees and expenses	4,049,151	5,638,342
Management and general	1,088,486	1,220,779
Federal excise tax on net investment income	32,762	770,037
Total expenses	27,674,365	30,994,978
Increase (decrease) in unrestricted net assets	(21,919,925)	6,114,507
Unrestricted net assets, beginning of year	514,657,950	508,543,443
Unrestricted net assets, end of year	$ 492,738,025	$ 514,657,950

See accompanying notes to the financial statements

ELBRIDGE STUART FOUNDATION
DBA STUART FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Changes in net assets	$ (21,919,925)	$ 6,114,507
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	367,304	422,992
Net realized gain on investments	(26,978,589)	(27,158,161)
Net unrealized loss on investments	30,281,023	(85,515)
Deferred taxes	(605,620)	1,711
Changes in operating assets and liabilities:		
Investments receivable	7,416,978	(6,090,596)
Other receivables	649	6,491
Due from related entity	-	177,684
Excise tax payable	(375,127)	398,426
Prepaid expenses and other assets	(28,186)	(49,636)
Accounts payable and accrued expenses	(91,121)	113,264
Grants payable	(1,895,010)	(512,140)
Net cash used by operating activities	(13,827,624)	(26,660,973)
Cash flows from investing activities:		
Proceeds from investments	69,599,089	80,758,584
Purchases of investments	(56,062,279)	(53,821,608)
Purchases of property and equipment	(105,443)	(14,532)
Net cash provided by investing activities	13,431,367	26,922,444
Net increase (decrease) in cash	(396,257)	261,471
Cash and cash equivalents, beginning of year	735,116	473,645
Cash and cash equivalents, end of year	$ 338,859	$ 735,116

Noncash investing activities:

During the years ended December 31, 2015 and 2014, the Foundation disposed of fully depreciated computer equipment costing $16,744 and $3,678, respectively.

See accompanying notes to the financial statements

NOTE A -- Description of organization

The Elbridge Stuart Foundation (the Foundation) is a private foundation established in 1937 as a Trust. In 2004, the Foundation converted to a non-stock corporation organized in Delaware. The Foundation conducts business as the Stuart Foundation. The Foundation is dedicated to the protection, education and development of children and youth, working toward ensuring that all children grow up in caring families, learn in vibrant and effective schools and have opportunities to become productive members of their communities. Its grant-making activities are primarily directed to organizations in the states of California and Washington.

NOTE B -- Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Since no donor restrictions exist on the Foundation's net assets, all of the Foundation's net assets are classified as unrestricted.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments, with original maturities of three months or less, and include the Foundation's primary operating accounts. Cash equivalents held as part of the investment portfolio are not included.

Investments

Investments are reported at fair value. Changes in fair values as well as realized gains and losses are reflected in the Statements of Activities. The fair values of short-term investments, domestic and international equities are based on their quoted market prices.

Investments in the various alternative investments are based upon fair values of the underlying assets as reported by the entities in their financial statements or as determined by the fund manager. In some cases the underlying assets are marketable securities with quoted market prices. In other situations, the underlying assets are not marketable and valuations are determined by the fund managers. Due to the inherent uncertainty of valuation of nonmarketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed and the differences could be material.

Investment sales and purchases are recorded on a trade-date basis, which may result in either an investment receivable or investment payable on unsettled investment trades at the statement of financial position date. Dividend and interest income are recorded when earned on an accrual basis.

NOTE B -- Summary of significant accounting policies (continued)

Property and equipment

Office furniture, equipment and leasehold improvements, if purchased, are stated at cost or, if donated, at fair market value at the time of receipt. Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the respective assets, ranging from three to ten years. Leasehold improvements are amortized over the term of the lease. The Foundation generally capitalizes assets with an original cost over $2,500.

Grants

Grants awarded with an unconditional promise to give are accrued as a liability and expensed when approved. Grant cancellations or unspent funds are recorded in the year cancelled or returned.

Investment management fees and expenses

Investment management fees and expenses include fees and expenses of the Foundation's custodian, investment managers and the various alternative investments as reported by the fund managers.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C – Investments

Investments consist of the following at December 31:

	2015	2014
Short-term investments	$ 45,338,721	$ 31,955,091
Domestic equities - U.S. equity small cap	13,615,346	17,116,509
Domestic equities - real assets/energy	11,657,057	14,838,917
International equities	37,159,959	36,660,574
Alternative investments (liquid and illiquid)	379,851,343	403,890,579
Investments, at fair value	$ 487,622,426	$ 504,461,670

<u>NOTE C</u> – Investments (continued)

Alternative investments include limited partnerships, limited liability companies and offshore investment funds. Although each investment is different, the majority of the liquid alternative investments have liquidity options that range from a few days up to a year. The majority of the alternative investments start out for a 10-year period with one-year extension options for another two or three years (Note K). Redemption terms and restrictions vary between each investment. The restrictions include lockup periods and notification requirements. Liquidation is generally limited to a sale to the fund manager or to distributions from the fund. As of December 31, 2015 and 2014, the Foundation has received approximately $10.5 million and $9.9 million, respectively, in distributions that may be recalled to satisfy capital commitments. The following tables summarize the investment strategy types as of December 31:

2015			
Alternative investment strategy	Number of funds	Fair value	Remaining Capital Commitments
U.S. equity large cap	2	$ 98,849,827	$ -
Domestic long/short equity	4	44,724,727	-
International equity	2	38,470,391	-
Global	3	21,393,549	-
Diversified/multi-strategy	5	89,093,238	-
Venture capital	8	2,488,833	487,498
Buyout	7	12,166,589	2,156,362
Distressed securities	10	12,473,661	8,722,034
Fund of funds	3	2,307,129	30,000
Real estate	3	3,734,173	403,628
Real assets/energy	5	9,751,871	6,095,741
Redeeming hedge fund	6	294,260	-
Other	8	44,103,095	6,439,494
	66	$ 379,851,343	$ 24,334,757

NOTE C -- Investments (continued)

2014			
Alternative investment strategy	Number of funds	Fair value	Remaining Capital Commitments
U.S. equity large cap	2	$ 98,487,971	$ -
Domestic long/short equity	3	35,088,502	-
International equity	2	37,440,491	-
Global	2	17,350,233	-
Diversified/multi-strategy	5	91,654,081	-
Venture capital	8	3,657,514	487,498
Buyout	7	15,365,982	2,291,189
Distressed securities	9	15,727,922	4,536,317
Fund of funds	3	3,048,432	30,000
Private equity/secondaries	1	274,956	98,480
Real estate	3	4,346,062	423,628
Real assets/energy	5	20,548,927	6,080,728
Redeeming hedge fund	6	395,961	-
Other	7	60,503,545	9,450,322
	63	$ 403,890,579	$ 23,398,162

NOTE D -- Property and equipment

Property and equipment consist of the following at December 31:

	2015	2014
Computer and office equipment	$ 1,656,776	$ 1,580,488
Leasehold improvements	3,499,693	3,487,282
	5,156,469	5,067,770
Less accumulated depreciation and amortization	(3,883,921)	(3,533,360)
Property and equipment, net	$ 1,272,548	$ 1,534,410

NOTE D -- Property and equipment (continued)

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 was $367,304 and $422,992, respectively.

NOTE E -- Grants payable

Grants payable consists of approved single-year and multi-year grant commitments expected to be paid as follows:

Years Ending December 31,		
2016	$	1,715,000
2017		150,000
	$	1,865,000

NOTE F -- Commitments

Operating leases

The Foundation has operating leases for its office spaces in San Francisco, California and in Beverly Hills, California which expire in 2026 and 2018, respectively.

The Foundation also leases office equipment under various lease agreements, all of which expire by October 2026.

Future minimum lease payments under the lease commitments for operating facilities and equipment are as follows:

Years Ending December 31,		
2016	$	674,861
2017		689,814
2018		728,076
2019		858,761
2020		1,012,365
Thereafter		5,131,810
	$	9,095,687

Rent expense for the years ended December 31, 2015 and 2014 was $732,799 and $711,338, respectively.

NOTE G -- Line of credit

The Foundation has a secured $20,000,000 line of credit which matures in November 2016. There were no outstanding borrowings as of December 31, 2015 and 2014.

NOTE H -- Federal excise tax

The Foundation has been classified as a private foundation, which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is subject to federal excise taxes on investment income, imposed at the rate of 2% on the net investment income of the private foundation including realized gains. The excise tax may be reduced to 1% based on a formula provided under the Internal Revenue Code. During the years ended December 31, 2015 and 2014, the Foundation paid excise taxes at the rate of 2%.

The provision for federal excise tax related to unrealized appreciation on investments is reflected as a liability until the related investment is sold or there is a change in the valuation of such investment.

In the event of net unrealized depreciation, the deferred tax asset is not reported because of the uncertainty as to whether the unrealized losses will be offset by future gains.

Regulations require certain minimum distributions of income be made in accordance with a specified formula. The Foundation is in full compliance with the regulations.

The provision for excise tax is comprised of the following at December 31:

	2015	2014
Current	$ 645,581	$ 633,903
Deferred	(612,819)	136,134
	$ 32,762	$ 770,037

The Foundation believes that it has appropriate support for the excise 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’s returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

NOTE I -- Retirement plan

The Foundation has a 403(b) retirement plan for all eligible employees. The Foundation contributed 15% of each eligible employee's gross salary. Contributions totaled $453,481 and $437,699 for the years ended December 31, 2015 and 2014, respectively.

The Foundation has a Section 457(b) Deferred Compensation Plan (the "Plan") to permit certain key employees to defer receipt of current compensation in order to provide retirement benefits on behalf of such employees. The Plan is not intended to be a qualified plan under the provisions of the Internal Revenue Code. All compensation deferred under the Plan is held in the name of the Foundation for the benefit of the participants.

NOTE J -- Concentration of credit risk

Investments in general are exposed to various risks, such as interest rate, credit and overall market volatility. The alternative investments include additional risks such as limited liquidity, less regulation, non-marketable investments and dependence on key individuals.

NOTE K -- Valuation of investments

Investments are measured and reported at fair value and are classified and disclosed in one of the following categories:

> Level I - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level I include listed equities held in the name of the Foundation, and exclude listed equities and other securities held indirectly through commingled funds.
>
> Level II - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
>
> Level III - Pricing inputs are unobservable for the investment and include situations where there is little, if any market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

NOTE K -- Valuation of investments (continued)

The following table summarizes the valuation of the Foundation's investments by fair value hierarchy levels as of December 31:

2015				
	Cash, Short-term Investments,	Alternative Investments		
	Domestic Equities & International Equities	Liquid Alternative Investments	Illiquid Alternative Investments	Total Investments
Level I	$ 107,771,083	$ -	$ -	$ 107,771,083
Level II	-	-	-	-
Level III	-	247,402,643	132,448,700	379,851,343
	$ 107,771,083	$ 247,402,643	$ 132,448,700	$ 487,622,426

2014				
	Cash, Short-term Investments,	Alternative Investments		
	Domestic Equities & International Equities	Liquid Alternative Investments	Illiquid Alternative Investments	Total Investments
Level I	$ 100,571,091	$ -	$ -	$ 100,571,091
Level II	-	-	-	-
Level III	-	248,376,301	155,514,278	403,890,579
	$ 100,571,091	$ 248,376,301	$ 155,514,278	$ 504,461,670

Level I investments include money market funds and mutual funds held by the Foundation.

NOTE K -- Valuation of investments (continued)

The following table summarizes the Foundation's reconciliation of the Level III activities as of December 31:

	2015	2014
Investments at fair value		
Balance at January 1	$ 403,890,579	$ 405,339,977
Net realized appreciation included in net income	26,092,493	22,032,101
Net unrealized gain (loss) included in net income	(22,115,259)	8,457,284
Purchases of portfolio investments	30,551,099	41,437,141
Proceeds from sales, redemptions, and distributions	(58,567,569)	(73,375,924)
Balance at December 31	$ 379,851,343	$ 403,890,579

NOTE L -- Related entity

The Dwight Stuart Youth Foundation, a charitable trust exempt from tax under Internal Revenue Code section 501(c)(3), and classified as a private foundation under Internal Revenue Code section 509(a) entered into an agreement on March 31, 2010 to transfer all of its assets to the Foundation. The Foundation has established the Dwight Stuart Youth Fund (the Fund) for the transferred assets (over $80 million) which is dedicated to support organizations that provide direct services and experiences to underserved children and youth so they may gain skills, values and confidence to achieve their potential. The grant-making activities are primarily directed to organizations located in Los Angeles County.

Due from related entity: As of December 31, 2015 and 2014, there were assets with an estimated discounted value of $6,912,082 remaining to be transferred.

NOTE M -- Subsequent events

The date to which events occurring after December 31, 2015 have been evaluated for possible adjustments to the financial statements or disclosure is September 13, 2016 which is the date on which the financial statements were available to be issued.