ELBRIDGE STUART FOUNDATION
DBA STUART FOUNDATION

FINANCIAL STATEMENTS

For the Years Ended
December 31, 2014 and 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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 15, 2015

ELBRIDGE STUART FOUNDATION
DBA STUART FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 735,116	$ 473,645
Investments receivable	8,010,183	1,919,587
Other receivables	649	7,140
Due from related entity	6,912,082	6,912,082
Investments, at fair value	504,461,670	504,154,971
Prepaid excise taxes	-	177,684
Prepaid expenses and other assets	197,408	147,772
Property and equipment, net	1,534,410	1,942,869
Total assets	$ 521,851,518	$ 515,735,750
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 458,335	$ 345,071
Grants payable	3,760,010	4,272,150
Deferred taxes	2,576,797	2,575,086
Excise tax payable	398,426	-
Total liabilities	7,193,568	7,192,307
Unrestricted net assets	514,657,950	508,543,443
Total liabilities and net assets	$ 521,851,518	$ 515,735,750

See accompanying notes to the financial statements

ELBRIDGE STUART FOUNDATION
DBA STUART FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2014 and 2013

	2014	2013
Changes in unrestricted net assets:		
Revenue:		
Dividends, interest, and operating income from investments	$ 9,865,810	$ 3,908,043
Net gain on investments:		
Realized	27,158,161	20,408,444
Unrealized	85,514	58,382,734
Total revenue	37,109,485	82,699,221
Expenses:		
Program services	4,980,349	4,553,919
Grants	18,385,471	19,100,240
Investment management fees and expenses	5,638,342	5,435,939
Management and general	1,220,779	1,369,754
Federal excise tax on net investment income	770,037	1,200,370
Total expenses	30,994,978	31,660,222
Increase in unrestricted net assets	6,114,507	51,038,999
Unrestricted net assets, beginning of year	508,543,443	457,504,444
Unrestricted net assets, end of year	$ 514,657,950	$ 508,543,443

See accompanying notes to the financial statements

ELBRIDGE STUART FOUNDATION
DBA STUART FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Changes in net assets	$ 6,114,507	$ 51,038,999
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	422,992	592,879
Net realized gain on investments	(27,158,161)	(20,408,444)
Net unrealized gain on investments	(85,515)	(58,382,734)
Deferred taxes	1,711	1,167,654
Changes in operating assets and liabilities:		
Investments receivable	(6,090,596)	(1,084,511)
Other receivables	6,491	(4,592)
Due from related entity	177,684	787,914
Prepaid excise tax	-	32,517
Excise tax payable	398,426	-
Prepaid expenses and other assets	(49,636)	95,013
Accounts payable and accrued expenses	113,264	(222,785)
Grants payable	(512,140)	2,018,508
Net cash used by operating activities	(26,660,973)	(24,369,582)
Cash flows from investing activities:		
Proceeds from investments	80,758,584	65,914,147
Purchases of investments	(53,821,608)	(41,253,358)
Purchases of property and equipment	(14,532)	(434,822)
Net cash provided by investing activities	26,922,444	24,225,967
Net increase (decrease) in cash	261,471	(143,615)
Cash and cash equivalents, beginning of year	473,645	617,260
Cash and cash equivalents, end of year	$ 735,116	$ 473,645

Noncash investing activities:

During the years ended December 31, 2014 and 2013, the Foundation disposed of fully depreciated computer equipment costing $3,678 and $50,271, 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:

	2014	2013
Short-term investments	$ 31,955,091	$ 28,923,538
Domestic equities - U.S. equity small cap	17,116,509	15,216,082
Domestic equities - real assets/energy	14,838,917	17,298,387
International equities	36,660,574	37,376,987
Alternative investments (liquid and illiquid)	403,890,579	405,339,977
Investments, at fair value	$ 504,461,670	$ 504,154,971

NOTE C – 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, 2014 and 2013, the Foundation has received approximately $9.9 million and $9.7 million, respectively, in distributions that may be recalled to satisfy capital commitments. The following tables summarize the investment strategy types as of December 31:

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 C -- **Investments** (continued)

2013			
Alternative investment strategy	Number of funds	Fair value	Remaining Capital Commitments
U.S. equity large cap	3	$ 102,618,790	$ -
Domestic long/short equity	3	32,486,554	-
International equity	2	34,938,740	-
Global	3	9,372,979	-
Diversified/multi-strategy	6	88,460,970	-
Venture capital	9	4,475,213	562,498
Buyout	7	19,348,313	2,526,658
Distressed securities	9	19,074,380	6,637,319
Fund of funds	3	3,312,014	80,000
Private equity/secondaries	1	634,533	103,483
Real estate	3	5,253,355	503,628
Real assets/energy	5	25,826,887	7,685,825
Redeeming hedge fund	5	584,533	-
Other	7	58,952,716	2,056,786
	66	$ 405,339,977	$ 20,156,197

NOTE D -- **Property and equipment**

Property and equipment consist of the following at December 31:

	2014	2013
Computer and office equipment	$ 1,580,488	$ 1,572,316
Leasehold improvements	3,487,282	3,484,600
	5,067,770	5,056,916
Less accumulated depreciation and amortization	(3,533,360)	(3,114,047)
Property and equipment, net	$ 1,534,410	$ 1,942,869

NOTE D -- Property and equipment (continued)

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 was $422,992 and $592,879, 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,		
2015	$	3,110,010
2016		650,000
	$	3,760,010

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 2018 and 2015, respectively.

The Foundation also leases office equipment under various lease agreements, all of which expire by February 2017.

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

Years Ending December 31,		
2015	$	647,234
2016		599,358
2017		611,291
2018		517,958
	$	2,375,841

Rent expense for the years ended December 31, 2014 and 2013 was $711,338 and $678,890, respectively.

NOTE G -- Line of credit

The Foundation has a secured $20,000,000 line of credit which matures in November 2015. There were no outstanding borrowings as of December 31, 2014 and 2013.

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, 2014 and 2013, the Foundation paid excise taxes at the rate of 2% and 1%, respectively.

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:

	2014	2013
Current	$ 633,903	$ 190,864
Deferred	136,134	1,009,506
	$ 770,037	$ 1,200,370

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 $437,699 and $407,085 for the years ended December 31, 2014 and 2013, respectively.

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:

2014

	Cash, Short-term Investments, Domestic Equities & International Equities	Alternative Investments: Liquid Alternative Investments	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

2013

	Cash, Short-term Investments, Domestic Equities & International Equities	Alternative Investments: Liquid Alternative Investments	Alternative Investments: Illiquid Alternative Investments	Total Investments
Level I	$ 98,814,994	$ -	$ -	$ 98,814,994
Level II	-	-	-	-
Level III	-	237,917,545	167,422,432	405,339,977
	$ 98,814,994	$ 237,917,545	$ 167,422,432	$ 504,154,971

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:

	2014	2013
Investments at fair value		
Balance at January 1	$ 405,339,977	$ 353,338,608
Net realized appreciation included in net income	22,032,101	15,547,483
Net unrealized gain included in net income	8,457,284	49,445,078
Purchases of portfolio investments	41,437,141	40,115,904
Proceeds from sales, redemptions, and distributions	(73,375,924)	(53,107,096)
Balance at December 31	$ 403,890,579	$ 405,339,977

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, 2014 and 2013, there were assets with an estimated discounted value of $6,912,082 remaining to be transferred.

NOTE M -- Subsequent events

On March 10, 2015, the Foundation renewed its Beverly Hills, California office lease for an additional seven years. In addition, on July 8, 2015, the Foundation amended the original lease of the San Francisco, California office space to extend the term for a period of eight years.

NOTE M -- Subsequent events

The date to which events occurring after December 31, 2014 have been evaluated for possible adjustments to the financial statements or disclosure is September 15, 2015, which is the date on which the financial statements were available to be issued.