The California Endowment and Subsidiary

(A California nonprofit public benefit corporation)

Consolidated Financial Statements

March 31, 2017 and 2016

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Report of Independent Auditors

To the Board of Directors of
The California Endowment

We have audited the accompanying consolidated financial statements of The California Endowment ("The Endowment"), which comprise the consolidated statements of financial position as of March 31, 2017 and March 31, 2016, and the related consolidated statements of activities and changes in net assets, and consolidated statements of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to The Endowment's preparation and fair presentation of the consolidated 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 Endowment'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The California Endowment as of March 31, 2017 and March 31, 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, The Endowment has restated its 2016 financial statements to correct an error. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

October 5, 2017

The California Endowment and Subsidiary
(A California nonprofit public benefit corporation)
Consolidated Statements of Financial Position
March 31, 2017 and 2016

(in thousands)	**2017**	**2016**
Assets		
Cash and cash equivalents	$ 41,288	$ 14,090
Dividends, interest and other receivables	2,785	2,952
Investment sales receivable	19,733	21,445
Investments	3,470,869	3,317,431
Program-related investments, net	39,343	39,365
Other assets	4,289	4,592
Deferred tax assets	725	-
Property and equipment, net	88,093	85,581
Total assets	$ 3,667,125	$ 3,485,456
Liabilities and Unrestricted Net Assets		
Liabilities		
Accounts payable and other liabilities	$ 10,340	$ 7,087
Investment purchases payable	9,705	2,599
Bank borrowing	-	17,000
Grants payable, net	43,165	50,648
Accrued post retirement obligation	368	4,954
Deferred tax liability	-	1,491
Total liabilities	63,578	83,779
Unrestricted net assets	3,603,547	3,401,677
Total liabilities and unrestricted net assets	$ 3,667,125	$ 3,485,456

The accompanying notes are an integral part of these consolidated financial statements.

The California Endowment and Subsidiary
(A California nonprofit public benefit corporation)
Consolidated Statements of Activities and Changes in Net Assets
Years Ended March 31, 2017 and 2016

(in thousands)	2017	2016
Investment return		
Net realized and unrealized gain (loss) on investments	$ 375,968	$ (99,977)
Dividends, interest and other investment income	33,240	31,009
	409,208	(68,968)
Less: Investment expenses	(4,994)	(5,592)
Net investment gain (loss)	404,214	(74,560)
Rent and other income	4,524	4,647
Total income (loss)	408,738	(69,913)
Expenses		
Grants awarded	146,561	176,216
Direct charitable expenses	25,630	27,015
Program operating expenses	21,111	18,801
General and administrative expenses	14,927	14,259
Program-related investment expenses (provision)	404	(369)
Interest expense	7	15
Tax provision (benefit)		
Current	1,490	(651)
Deferred	(2,215)	(9,615)
Total expenses	207,915	225,671
Change in unrestricted net assets before minimum pension liability adjustment	200,823	(295,584)
Minimum pension liability adjustment	1,047	(947)
Change in unrestricted net assets after minimum pension liability adjustment	201,870	(296,531)
Unrestricted net assets		
Beginning of year	3,401,677	3,698,208
End of year	$ 3,603,547	$ 3,401,677

The accompanying notes are an integral part of these consolidated financial statements.

The California Endowment and Subsidiary
(A California nonprofit public benefit corporation)
Consolidated Statements of Cash Flows
Years Ended March 31, 2017 and 2016

(in thousands)	2017	2016 (as restated)
Cash flows from operating activities		
Change in unrestricted net assets	$ 201,870	$ (296,531)
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities		
Net realized and unrealized (gain) loss on investments	(375,968)	99,977
Dividends, interest and other investment (income), net of fees	(28,144)	(25,393)
Amortization of PRI discount	(3,762)	(3,908)
Depreciation on property and equipment	2,710	2,548
Provision for loss and discount on program related investments	1,546	87
Net periodic pension cost	1,461	1,215
Change in operating assets and liabilities		
Program-related investments	2,238	5,820
Other assets	302	(2,987)
Deferred tax assets	(725)	-
Contributions to postretirement plan	(5,000)	(900)
Accrued post retirement obligation	(1,047)	948
Accounts payable and other liabilities	2,157	346
Grants payable	(7,483)	7,433
Deferred taxes	(1,491)	(9,615)
Net cash (used in) operating activities	(211,336)	(220,960)
Cash flows from investing activities		
Purchase of property and equipment	(5,221)	(15,438)
Purchases of and contributions to investments	(297,068)	(254,417)
Proceeds from sales and distributions of investments	557,823	458,196
Net cash provided by investing activities	255,534	188,341
Cash flows from financing activities		
(Repayment of) proceeds from line of credit borrowing	(17,000)	17,000
Net cash (used in) provided by financing activities	(17,000)	17,000
Net increase (decrease) in cash and cash equivalents	27,198	(15,619)
Cash and cash equivalents		
Beginning of year	14,090	29,709
End of year	$ 41,288	$ 14,090
Supplemental disclosures of cash flow information		
Cash paid during the year for federal excise taxes	$ 3,800	$ 2,200
Cash paid during the year for interest	22	-
Cash paid during the year for agency transactions	230	1,555
Cash received during the year from agency transactions	-	200
Cash received from insurance proceeds	80	-
Noncash investing activities	10,081	(22,627)

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization

The California Endowment ("The Endowment"), a California non-profit public benefit corporation, is a private foundation that began operations in May 1996. The Endowment's mission is to expand access to affordable, quality health care for underserved individuals and communities and to promote fundamental improvements in the health status of all Californians.

In May 2009, 800 N. Main LLC (the "LLC") was organized and operates for charitable purposes described in section 501(c)(3) of the Internal Revenue Code of 1986 and sections 214 and 23701h of the California Revenue and Taxation Code. The LLC operates exclusively for the benefit of The Endowment, with The Endowment as the sole member of the LLC. The LLC holds title to land located adjacent to The Endowment's premises.

The Endowment and the LLC are consolidated for financial statement presentation. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents
Cash and cash equivalents consist of funds held in a commercial checking account and money market funds used for operating expenses. Cash also includes $623,000 and $853,000 of restricted use funds for March 31, 2017 and 2016, respectively, in connection with certain agency transactions as discussed in Note 9.

Investments
Investments in publicly traded securities and government bonds are valued using quoted market prices. Investments in fixed income securities are valued based on relevant broker quotes, observable market prices for similar securities or discounted cash flows. Investments in mutual fund and hedge fund shares are valued using net asset value per share. Derivatives are used to hedge risks of (or gain exposure to) interest rates, foreign currencies, equities or commodities and are recorded at fair market value using the value of the underlying asset. Changes in fair value are recorded in the consolidated statements of activities.

Alternative investments consist of hedge funds, buyout funds, venture capital and other limited partnership interests. Typically, such investments are illiquid and not publicly listed or traded. The Net Asset Value ("NAV") is used as a practical expedient for fair value of all investments which (a) do not have readily determinable fair values and (b) apply valuation principles of an investment company or have the attributes of an investment company. Such valuations are generally determined by the partnerships' general partners, who must follow the valuation guidelines, such as appraisals and comparable public company trade data, stipulated in the respective limited partnership agreements. The Endowment reviews and evaluates the values provided by the investments' managers and assesses the valuation methods and assumptions used. Management may make specific or general valuation reserves based on portfolio analysis. Investment sales and purchases are recorded on trade date, which may result in receivables and payables on trades that have not yet settled at the financial statement date.

Dividend income is recorded on the ex-dividend date, and interest income is recorded as earned on an accrual basis. Unrealized gains and losses are recorded for changes in the difference between the recorded costs of the investments and the fair value of the investments at the financial statement date.

Cash equivalents categorized as investments include short-term investment funds, commercial paper and U.S. treasury bills that may be used by managers for collateral and pending trades with original or remaining maturities of three months or less at time of purchase and not immediately available for the operating expense of The Endowment.

Property and Equipment
Property and equipment consist of buildings, land, leasehold improvements, furnishings, equipment, and software for The Endowment's offices and are carried at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of individual assets ranging from three to seven years for furnishings, equipment and software, 15 years for machinery, 39 years for buildings, and the shorter of 10 years or the related lease term for leasehold improvements.

Grants Awarded
Unconditional grants awarded are recognized as an expense in the period in which they are approved. Grants payable in future years are discounted using rates effective at the time the grants were awarded ranging between 0.67% to 1.20% for 2017 and 0.53% and 0.98% for 2016. Grants awarded that are conditioned on future uncertain events are expensed when those conditions are substantially met. There were no conditional grants awarded at March 31, 2017 and 2016.

Direct Charitable and Program Operating Expenses
Direct charitable expenses pertain to charitable activities for the benefit of others initiated and conducted in whole or in part by The Endowment. The Endowment's direct charitable activities consist of the administration and operation of conference centers in Los Angeles, Oakland and Sacramento, in addition to program evaluation, content creation and marketing on health issues, policy and advocacy work, health-related research, publishing, and dissemination of research. Program operating expenses pertain to the general grant making activities of The Endowment, such as reviewing grant applications, awarding, monitoring, and evaluating grants. Certain program operating expenses are allocated based on employee ratios and estimates made by management.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value
Fair value is defined as 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.

The Endowment uses NAV to determine the fair value of all the investments which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment company or apply valuation principles consistent with those investment company.

Assets and liabilities measured at fair value are based on one or more of the following valuation techniques:

- *Market Approach* – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

- Cost Approach – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and

- Income Approach – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

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

Level 1 Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level 1 includes listed equities held in the name of The Endowment, and excludes securities held indirectly through commingled funds.

Level 2 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.

Level 3 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.

The carrying amounts of cash and cash equivalents (not included in investments), dividends, interests, and other receivables, and accounts payable and other liabilities approximate fair value due to the highly liquid or short-term nature of these instruments.

Recent Accounting Pronouncements
Effective April 1, 2015, The Endowment elected to restrospectively implement as allowed by the guidance Accounting Standards Update ("ASU") 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. Under the new guidance, investments measured at NAV, as a practical expedient for fair value, are excluded from the fair value hierarchy. The effects of adopting this amendment are addressed in Note 5 and the 2015 presentation has been adjusted to conform to this new presentation.

In June 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-10, *Technical Corrections and Improvements* which amended the definition of Readily Determinable Fair Value ("RDFV"). The definition now includes a reference to equity securities in structures similar to mutual funds where the fair value per share is determined and published on a regular basis and is the basis for current transactions. The new guidance is effective for The Endowment beginning

April 1, 2016, with early adoption permitted. The change in the definition of RDFV under this new standard was considered in connection with The Endowment's election to implement ASU 2015-07 beginning in April 2015.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes: Balance Sheet Classification of Deferred Taxes*. Under the new guidance, a reporting entity is required to classify deferred tax assets and liabilities as noncurrent in a classified statement of financial position. The guidance is effective for The Endowment beginning April 1, 2018, with early adoption permitted. The Endowment does not expect the new guidance to have a material impact on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases.* The new guidance requires the recognition of lease assets and lease liabilities by lessees for those leases otherwise classified as operating leases under previous Generally Accepted Accounting Principles ("GAAP"). The new guidance is effective for The Endowment beginning April 1, 2020, with early adoption permitted. The Endowment does not expect the new guidance to have a material impact on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, amending ASC 958. This update changes the presentation of certain information in the financial statements and footnote disclosures of not-for-profit (NFP) entities. The update also changes the way that NFP entities classify net assets. The new guidance is effective for The Endowment beginning April 1, 2018, with early adoption permitted. The Endowment is currently evaluating the impact that this guidance will have on its financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. This update addressed various classification issues related to the statement of cash flows. The new guidance is effective for The Endowment beginning April 1, 2019, with early adoption permitted. The Endowment does not expect the new guidance to have a material impact on its financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This guidance clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. This guidance requires entities to present the change in restricted cash and restricted cash equivalents with cash and cash equivalents to reconcile amounts on the balance sheet to the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. Entities will be required to disclose the nature of the restrictions, as well as reconcile the totals in the statement of cash flows to cash, cash equivalents, restricted cash, and restricted cash equivalents on the balance sheet when these are shown in more than one line item. The new guidance is effective for The Endowment beginning April 1, 2019, with early adoption permitted. The Endowment does not expect the new guidance to have a material impact on its financial statements.

Reclassifications
Certain prior year amounts have been reclassified to conform to current year presentation.

Restatement of Prior Period Financial Statements
In 2017, an error was identified related to the 2016 Consolidated Statement of Cash Flows with respect to the incorrect recording of investment activities. In evaluating whether its previously

issued Consolidated Financial Statements were materially misstated, The Endowment considered the guidance in Accounting Standards Codification ("ASC") Topic 250, *Accounting Changes and Error Corrections*, ASC Topic 250-10-S99-1, Assessing Materiality, and ASC Topic 250-10-S99-2, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*. The Endowment concluded this error was material to the 2016 Consolidated Statement of Cash Flows and accordingly restated the 2016 Consolidated Statement of Cash Flows to reflect the correction of this error, the effects of which have been provided in summarized format below.

	March 31, 2016		
(In thousands)	**As Reported**	**Adjustment**	**As Restated**
Net realized and unrealized loss on investments	($99,977)	$199,954	$99,977
Dividends, interest and other investment income, net of fees	-	($25,393)	($25,393)
Dividends, interest and other receivables	$688	($688)	-
Accounts payable and other liabilities	$818	($472)	$346
Net cash (used in) operating activities	($394,362)	$173,402	($220,960)
Purchases of and contributions to investments	($146,520)	($107,896)	($254,417)
Proceeds from sales and distributions of investments	$523,701	($65,505)	$458,196
Net cash provided by investing activities	$361,743	($173,402)	$188,341
Supplemental disclosures of cash flow information:			
Noncash investing activities	-	($22,627)	($22,627)

There was no impact on the 2016 Consolidated Statement of Financial Position or the 2016 Consolidated Statement of Activities and Changes in Net Assets as a result of this restatement. The restatement also did not change the net increase (decrease) in cash and cash equivalents.

3. Concentration of Credit Risk

Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments, which potentially subject The Endowment to concentrations of credit risk, consist primarily of cash and cash equivalents; investments; and program related investments.

The Endowment maintains its cash and cash equivalents primarily with its custodian bank, BNY Mellon. The cash and cash equivalent balances are generally not federally insured; however, The Endowment has not experienced any losses in such positions and believes that they do not represent any significant credit risk.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. The Endowment will be exposed to credit risk to parties with whom it trades and will also bear the risk of settlement default. The Endowment minimizes concentrations of credit risk by undertaking transactions with a large number of customers and counterparties on recognized and reputable exchanges where applicable. The Endowment could lose money if the issuer or guarantor of an investment is unable or unwilling to make timely payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings. Due to the level of risk associated with certain investment securities, it is possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the value of The Endowment's investments and total net assets balance.

With respect to program-related investments, The Endowment routinely assesses the financial strength of its debtors and believes that the related credit risk exposure is limited or appropriately reserved for.

4. Investments

At March 31, 2017 and 2016, investments consist of the following at fair value:

(in thousands)	2017	2016
Commercial paper and U.S. treasury bills	$ 25,573	$ 16,570
Government and corporate obligations	260,448	288,998
Equity securities	1,287,095	1,179,976
Private equity, real assets, real estate and hedge funds	1,897,753	1,831,887
Total investments	$ 3,470,869	$ 3,317,431

Net realized and unrealized gains and losses on investments are reflected in the statements of activities and changes in net assets. The net gain (loss) on The Endowment's investment portfolio for the years ended March 31, 2017 and 2016 consists of the following:

(in thousands)	2017	2016
Net realized gain	$ 155,281	$ 155,408
Net unrealized gain (loss)	220,687	(255,385)
	$ 375,968	$ (99,977)

The Endowment has entered into certain agreements with various investment funds to make future investments in such funds. As of March 31, 2017, the unfunded commitments related to these investments totaled $624,850,000.

The investment goal of The Endowment is to maintain or grow its asset size and spending power in real (inflation adjusted) terms with risk at a level appropriate to The Endowment's program objectives. The Endowment diversifies its investments among various financial instruments and asset categories, and uses multiple investment strategies. As a general practice, financial assets of The Endowment are managed by external investment management firms selected by The Endowment. All financial assets of The Endowment are held in custody by BNY Mellon except for assets invested with partnerships and commingled funds, which have separate arrangements related to their legal structure.

Derivative Instruments

The Endowment applies the provisions of Accounting Standards Codification ("ASC") Topic 815, *Derivatives and Hedging*, which requires enhanced disclosures to provide additional information regarding the accounting treatment for derivatives and hedging activities, the reasons The Endowment's managers invest using derivative instruments, and the effect derivatives have on The Endowment's consolidated financial statements. It requires qualitative disclosures about the objectives and strategies for using derivative instruments, quantitative disclosures about the fair value of, and gains and losses on, derivative instruments, as well as disclosures about credit-risk-related contingent features in derivative agreements. The Endowment does not designate any derivative instruments as hedging instruments under ASC 815.

The Endowment transacts in a variety of derivative instruments including futures, swaps and options primarily for trading purposes with each instrument's primary risk exposure being interest rate, credit, currency, equity or commodity risk. The fair value of these derivative instruments is included in the investments line item in the consolidated statements of financial position with changes in fair value included in as net realized and unrealized gain (loss) on investments within the consolidated statements of activities.

Some investment managers retained by The Endowment have been authorized to use certain financial derivative instruments in a manner set forth by either The Endowment's written investment policy, specific manager guidelines or partnership/fund agreement documents. Specifically, financial derivative instruments are used for the following purposes: (1) currency forward contracts and options are used to hedge nondollar exposure in foreign investments, or to take positions in managed currency portfolios; (2) futures and swap contracts are used to rebalance asset categories within the portfolio and to manage market exposures in managed portfolios; and (3) futures contracts, swaps and options are used to hedge or leverage positions in managed portfolios.

Certain of The Endowment's managers purchase or sell fixed income securities on a delayed delivery or forward settled basis. These transactions involve a commitment by The Endowment to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period, from about 1 to 3 months. When purchasing a security on a delayed delivery basis, The Endowment assumes the rights and risks of ownership of the security, including the risk of price and yield fluctuations, and reflects such fluctuations in its changes in net assets. Changes in fair value are reflected as net realized and unrealized gain (loss) on investments within the consolidated statements of activities. The manager may dispose of or renegotiate a delayed delivery transaction after it is entered into, and may sell the securities before they are delivered, which may result in a capital gain or loss.

In the opinion of The Endowment's management, the use of financial derivative instruments in its investment program is appropriate and customary for the investment strategies employed. These instruments do involve investment and counterparty risk in amounts greater than what are reflected in The Endowment's consolidated financial statements, however, management does not anticipate that losses, if any, from such instruments would materially affect the financial position of The Endowment.

As of March 31, 2017 and 2016, The Endowment held derivative positions of $6,989,000 and $5,233,000, respectively, which are included in investments on the consolidated statements of financial position. The Endowment recognized a realized gain of $124,000 and a realized loss of $640,000 on foreign exchange contract derivatives for the years ended March 31, 2017 and 2016, respectively. Such amounts are included in the net realized and unrealized gain (loss) on investments in the consolidated statements of activities and changes in net assets.

5. Fair Value

Product/instrument	Valuation methodology, inputs and assumptions
Equities	Quoted market prices are used where available. In the absence of quoted market prices, securities are valued based on - observable market prices for similar securities - relevant broker quotes - discounted cash flows
Fixed income	Securities are valued based on: - relevant broker quotes - observable market prices for similar securities - discounted cash flows
Fund investments (i.e., mutual funds, commingled funds, private equity funds, real assets, real estate and hedge funds)	Net asset value ("NAV") - NAV is validated by sufficient level of observable activity (i.e., purchases, and Level 1 sales) - adjustments to the NAV as required, for restrictions on Redemption (e.g., lock up periods or withdrawal limitations) or where observable activity is limited

Level 3 investments are securities associated with managed accounts. These investments are classified as Level 3 due to the fact that they are valued utilizing unobservable inputs. Investments held at NAV as a practical expedient for fair value are primarily limited partnerships. The frequency of withdrawals from these investments varies widely, with some limited partnerships offering liquidity on a monthly basis while others do not provide liquidity for a number of years. Equity and hedge fund limited partnerships are open ended vehicles where inflows and outflows occur in perpetuity. In private equity partnerships, limited partners may not transfer, or withdraw, from the partnership prior to partnership termination. Most private equity investment partnerships have an original term of ten years.

Such value generally represents the partnership's proportionate share of the partner's capital of the investment partnerships as reported by their general partners. Accordingly, the value of the investment in the partnerships is generally increased by additional contributions to the partnerships and partnership's share of net earnings from the partnership's underlying investments and decreased by distributions from the partnerships and the partnership's share of net losses from the partnership's underlying investments.

Sensitivity of Fair Value Measurements to Changes in Significant Unobservable Inputs
The Endowment considers unobservable inputs to be those for which market data is not available and that are developed using the best information available to us about the assumptions that market participants would use when pricing the asset or liability. Relevant inputs vary depending on the nature of the instrument being measured at fair value. The following is a general description of sensitivities of significant unobservable inputs along with interrelationships between and among

the significant unobservable inputs and their impact on the fair value measurements. The effect of a change in a particular assumption in the sensitivity analysis below is considered independently of changes in any other assumptions. In practice, simultaneous changes in assumptions may not always have a linear effect on the inputs discussed below. Interrelationships may also exist between observable and unobservable inputs. Such relationships have not been included in the discussion below. For each individual relationship described below, the inverse relationship would also generally apply.

Discount Rates and Spreads

Yield

The yield of an asset is the interest rate used to discount future cash flows in a discounted cash flow calculation. An increase in the yield, in isolation, would result in a decrease in a fair value measurement.

Credit spread

The credit spread is the amount of additional annualized return over the market interest rate that a market participant would demand for taking exposure to the credit risk of an instrument. The credit spread for an instrument forms part of the discount rate used in a discounted cash flow calculation. Generally, an increase in the credit spread would result in a decrease in a fair value measurement.

Market Inputs

The significant unobservable inputs used in the fair value measurement of The Endowment's investments include the following inputs: industry multiples (primarily based on revenue or Earnings Before Income Tax, Depreciation and Amortization "EBITDA"), public comparables, transactions in similar instruments, discounted cash flow techniques, and third party appraisals. Managers also consider changes in the outlook for relevant industry and financial performance of the issuer as compared to projected performance. Significant inputs include market and transaction multiples, discount rates, long-term growth rates, and capitalization rates. For equity instruments with debt-like features, inputs include market yields, current performance and recovery assumptions, and duration. Significant increases (decreases) in any of those inputs in isolation would result in significantly lower (higher) fair value measurements, respectively.

The following table summarizes the valuation of The Endowment's investments by ASC 820 fair value hierarchy levels as of March 31, 2017:

(in thousands)	Level 1	Level 2	Level 3	NAV as Practical Expedient	Total
Cash equivalents	$ 19,379	$ 6,194	$ -	$ -	$ 25,573
Equities					
Domestic	95,130	5,207	-	245,566	345,903
International	78,017	-	-	193,099	271,116
Emerging markets	86,792	-	-	112,325	199,117
Global	63,040	-	-	407,919	470,959
Fixed income					
Corporates	-	38,327	8,388		46,715
Mortgage/asset backed securities	-	156,989	-		156,989
Government related	22,543	7,522	-		30,065
Commingled funds	-	8,718	-		8,718
Municipal bonds	-	17,961	-		17,961
Hedge funds					
Relative value	-	-	-	249,835	249,835
Absolute return	-	-	-	245,368	245,368
Event driven	-	-	-	200,953	200,953
Global macro	-	-	-	66,862	66,862
Private equity funds					
Venture capital	-	-	-	197,740	197,740
Buyout	-	-	-	401,766	401,766
Real estate funds	-	-	-	263,890	263,890
Real asset funds	-	-	-	271,339	271,339
	$ 364,901	$ 240,918	$ 8,388	$ 2,856,662	$ 3,470,869

The following table summarizes The Endowment's Level 3 reconciliation by ASC 820 standards as of March 31, 2017:

(in thousands)	Beginning Balances April 1, 2016	Realized Gains (Losses)	Change in Unrealized Gains (Losses)	Purchases and Other Acquisitions	Sales and Other Dispositions	Transfers Into Level 3	Transfers (Out) of Level 3	Ending Balances March 31, 2017
Fixed income								
Corporates	$ 10,776	$ (46)	$ 391	$ 9,726	$ (11,441)	$ -	$ (1,018)	$ 8,388
Mortgage/Asset backed securities	883	15	7	1,678	(2,583)	-	-	-
	$ 11,659	$ (31)	$ 398	$ 11,404	$ (14,024)	$ -	$ (1,018)	$ 8,388

The following table summarizes the valuation of The Endowment's investments by ASC 820 fair value hierarchy levels as of March 31, 2016:

(in thousands)	Level 1	Level 2	Level 3	NAV as Practical Expedient	Total
Cash equivalents	$ 16,570	$ -	$ -	$ -	$ 16,570
Equities					
Domestic	90,801	4,728	-	238,318	333,847
International	139,555	-	-	171,657	311,212
Emerging markets	76,889	-	-	71,265	148,154
Global	51,627	-	-	335,136	386,763
Fixed income					
Corporates	-	66,858	10,776	-	77,634
Mortgage/asset backed securities	-	107,066	883	-	107,949
Government related	18,376	7,392	-	-	25,768
Commingled funds	-	7,380	-	49,175	56,555
Municipal bonds	-	21,093	-	-	21,093
Hedge funds					
Relative value	-	-	-	252,470	252,470
Absolute return	-	-	-	216,166	216,166
Event driven	-	-	-	228,211	228,211
Global macro	-	-	-	60,336	60,336
Private equity funds					
Venture capital	-	-	-	185,057	185,057
Buyout	-	-	-	427,161	427,161
Real estate funds	-	-	-	248,937	248,937
Real asset funds	-	-	-	213,548	213,548
	$ 393,818	$ 214,517	$ 11,659	$ 2,697,437	$ 3,317,431

The following table summarizes The Endowment's Level 3 reconciliation by ASC 820 standards as of March 31, 2016:

(in thousands)	Beginning Balances April 1, 2015	Realized Gains (Losses)	Change in Unrealized Gains (Losses)	Purchases and Other Acquisitions	Sales and Other Dispositions	Transfers Into Level 3	Transfers (Out) of Level 3	Ending Balances March 31, 2016
Fixed income								
Corporates	$ 12,782	$ (127)	$ (407)	$ 4,758	$ (6,230)	$ -	$ -	$ 10,776
Mortgage/Asset backed securities	-	(13)	(3)	-	(1,430)	2,329	-	883
	$ 12,782	$ (140)	$ (410)	$ 4,758	$ (7,660)	$ 2,329	$ -	$ 11,659

Transfers out of Level 3 include investments which have been reclassified to Level 2 due to changes in pricing inputs that became readily available for certain Level 2 securities. Transfers into Level 3 include investments which have been reclassified from Level 2 due to changes in pricing inputs that became unavailable during the year. Transfer amounts are based on the fair value as of the date of the change in pricing inputs that caused the transfer.

The amount of unrealized losses related to Level 3 investments that were held at March 31, 2017 and 2016 was $87,000 and ($412,000), respectively.

The Endowment uses NAV as a practical expedient to determine the fair value of all the underlying investments, which (a) do not have readily determinable fair values and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in other investment companies by major category as of March 31, 2017:

(dollars in millions)	**Strategy**	**Net Asset Value**	**Remaining Life**	**Unfunded Commitments**	**Redemption Terms**	**Redemption Restrictions**
Private equity*	Venture and buyout, in the U.S. and international	$ 599.5	1 to 15 years	$ 260.6	N/A	N/A
Real estate*	Real estate primarily in the U.S.	263.9	1 to 15 years	205.9	N/A	N/A
Real assets*	Natural resources primarily in the U.S.	271.3	1 to 15 years	158.3	N/A	N/A
Hedge funds- Absolute returns	Global macro, event driven, long/short, relative value hedge funds	763.0	N/A	-	Ranges between monthly redemption to a redemption over a 2-year period	Some funds limit redemption to 25% of capital per period
Commingled funds- Equities	Long-only equities	959.0	N/A	-	Ranges between daily redemption to a redemption every 3 years	1 fund limits redemption to a maximum of 33% of capital per year
		$ 2,856.7		$ 624.8		

* These funds are in private equity structures with no ability to be redeemed.

The Endowment uses NAV as a practical expedient to determine the fair value of all the underlying investments, which (a) do not have readily determinable fair values and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in other investment companies by major category as of March 31, 2016:

(dollars in millions)	**Strategy**	**Net Asset Value**	**Remaining Life**	**Unfunded Commitments**	**Redemption Terms**	**Redemption Restrictions**
Private equity*	Venture and buyout, in the U.S. and international	$ 612.2	1 to 15 years	$ 219.4	N/A	N/A
Real estate*	Real estate primarily in the U.S.	248.9	1 to 15 years	222.4	N/A	N/A
Real assets*	Natural resources primarily in the U.S.	213.5	1 to 15 years	164.0	N/A	N/A
Hedge funds- Absolute returns	Global macro, event driven, long/short, relative value hedge funds	757.2	N/A	-	Ranges between monthly redemption to a redemption with a 3-year lock up period	Some funds limit redemption to 25% of capital per period
Commingled funds- Equities	Long-only equities	816.4	N/A	-	Ranges between daily redemption to a redemption with a 3-year lock up period	1 fund limits redemption to a maximum of33% of capital per year
Commingled funds- Fixed income	Long-only fixed income funds	49.2	N/A	-	Ranges between daily to annual redemption	None
		$ 2,697.4		$ 605.8		

* These funds are in private equity structures with no ability to be redeemed.

6. Program-Related Investments

The Endowment invests a portion of its funds in projects that advance its philanthropic purposes by providing noninterest-bearing or low-interest bearing loans to certain organizations. Loans are either in the form of direct loans or loan participations. At March 31, 2017 and 2016, these loans including interest receivable totaled $39,343,000 and $39,365,000, respectively, and have been recorded net of potentially uncollectible amounts of $2,588,000 and $3,145,000 at March 31, 2017 and 2016, respectively, and net of discount of $12,952,000 and $14,604,000 at March 31, 2017 and 2016, respectively. The loans have stated rates of 0% - 7.74% with effective rates of 2.69% - 11.0% based on the credit risk of these organizations. The loans have maturities ranging from January 2018 through May 2031 and are expected to be repaid in various installments over the terms. The table below represents the expected future repayments from these organizations based on the terms of the loans:

(in thousands)

Years Ending March 31,	
2018	$ 7,879
2019	5,449
2020	6,062
2021	7,898
2022	4,145
Thereafter	18,774
	50,207
Less: Discount and reserves for uncollectible amounts	(10,864)
Program related investments, net	$ 39,343

As of March 31, 2017 and 2016, The Endowment had an unfunded commitment of $13,899,000 and $11,000,000, respectively, related to certain program-related investments.

7. Property and Equipment

At March 31, 2017 and 2016, property and equipment consist of the following:

	2017	**2016**
Building, easement and leasehold improvements	$ 80,876	$ 77,125
Land	23,599	23,599
Furnishings and equipment	13,153	12,713
Software	783	721
Construction-in-progress	4,511	5,507
	122,922	119,665
Less: Accumulated depreciation	(34,829)	(34,084)
	$ 88,093	$ 85,581

Depreciation expense was $2,710,100 and $2,548,100 for the years ended March 31, 2017 and 2016, respectively.

8. Grants Payable

At March 31, 2017 and 2016, grants payable are as follows:

(in thousands)	2017	2016
Amounts due in		
Less than one year	$ 37,533	$ 49,001
One year to five years	5,724	1,664
Gross grants payable	43,257	50,665
Less: Discount to present value	(92)	(17)
Grants payable, net	$ 43,165	$ 50,648

9. Commitments and Contingencies

The Endowment leases its regional office facilities under various agreements. Rental expense was $1,575,000 and $1,289,000 for the years ended March 31, 2017 and 2016, respectively. Future minimum rental payments related to noncancelable operating leases as of March 31, 2017, are as follows:

(in thousands)	
Years Ending March 31,	
2018	638
2019	650
2020	551
2021	242
Total minimum future rentals	$ 2,081

The Endowment is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of such matters will not have a material adverse effect on the financial position of The Endowment.

In January 2011, The Endowment and the Watts Health Foundation (WHF), a California non-profit public benefit corporation, entered into an agreement whereby The Endowment agreed to receive from WHF approximately $6.5 million for the purpose of establishing a 5-year fund to benefit the community of South Los Angeles. Under the terms of the agreement, The Endowment agreed to certain specific minimum timing and distribution requirements of the funds. In addition, The Endowment agreed to expend from its own funds an amount that matches the total amount of funds received from WHF up to $6.5 million.

For the year ended March 31, 2017 and 2016, The Endowment received $0 and $200,000, respectively, of additional funding from WHF, of which $0 and $418,000 were expended in years ended March 31, 2017 and 2016, respectively. In addition, The Endowment expended $0 and $203,000 for the years ended March 31, 2017 and 2016, respectively, for its matching obligation. All WHF funds received had been expended and The Endowment’s matching obligation had been fulfilled by March 31, 2016.

In September 2011, The Endowment and members of the Coalition Organizations (the "Coalition") reached an agreement whereby The Endowment agreed to receive proceeds from a settlement benefiting the Coalition to be used toward supporting a community-serving health and wellness center, community health promotion, affordable housing, small business support and jobs training opportunities for local residents and at-risk youth. The Coalition is comprised of various non-profit corporations. Under the terms of the agreement, The Endowment agreed to receive the settlement proceeds and then distribute such funds as directed by the members of the Coalition.

Since the inception of the agreement through March 31, 2017, The Endowment has received from the Coalition $4,253,000 in cash of which $3,630,000 has been expended. At March 31, 2017 and 2016, The Endowment's obligation under the terms of the agreement was $623,000 and $853,000, respectively.

10. Credit Facility

In March 2011, The Endowment entered into a Commercial Credit Agreement ("LOC") with Union Bank, N.A. The LOC had a credit limit of $30 million with an interest rate of LIBOR plus 100 basis points on all outstanding balances.

In May 2014, The Endowment and Union Bank agreed to amend and restate the LOC. Under the that agreement, the committed revolving loan was reduced to $20 million while a new uncommitted revolving loan was extended for $20 million.

In May 2015, The Endowment and Union Bank entered into a second amendment and restated the LOC. While the amended LOC maintained the $20 million committed line, the previous uncommitted portion of the loan was not renewed. All outstanding balances on the loans incur an interest rate either at LIBOR plus 100 basis points or at a reference rate as announced by Union Bank, at The Endowment's option. No securities have been pledged to secure the LOC. In April 2016, the termination date of the amended and restated LOC was extended to August 2016. In September 2016, the LOC was further extended to September 2019.

In March 2016, The Endowment drew $17,000,000 from the LOC and incurred interest expense of $22,000 through April 2016. The full outstanding principal balance plus accrued interest was paid in April 2016 subsequent to fiscal year ended March 31, 2016.

As of March 31, 2017, The Endowment was in compliance with all covenants related to the line of credit.

11. Taxes

The Endowment is exempt from federal income taxes under Internal Revenue Code (IRC) section 501(c)(3). The Endowment is subject to federal excise taxes imposed on private foundations at 2% or at 1% if certain conditions are met. The excise tax is imposed on net investment income, as defined under federal tax law, which includes interest and dividend income, and realized gains, net of investment expenses, among other items. Deferred excise taxes arise primarily from unrealized gains on investments and are calculated at the effective rate expected to be paid by The Endowment.

The Endowment is also subject to income tax on unrelated business income. An operating loss carry forward of approximately $40,726,000 is available to offset future taxable income of The Endowment for a period ranging through the year ending March 31, 2027 through March 31, 2035.

The components of the deferred tax asset and liability recognized in the consolidated statements of financial position were as follows as of March 31:

(in thousands)		**2017**		**2016**
Net operating loss/deferred tax asset	$	16,594	$	9,762
Deferred excise taxes payable		(15,869)		(11,253)
Total assets (liabilities)	$	725	$	(1,491)

The components of the provision (benefit) for federal and state income taxes recognized in the consolidated statements of activities for the years ended March 31, 2017 and 2016 were as follows:

(in thousands)		**2017**		**2016**
Current excise tax provision (benefit)	$	1,490	$	(651)
Deferred excise tax provision (benefit)		4,617		(5,105)
Deferred income tax (benefit)		(6,832)		(4,510)
	$	(725)	$	(10,266)

The Endowment believes that it has appropriate support for tax positions taken and, as such, does not have any uncertain tax positions that result in a material impact on The Endowment's consolidated financial position or consolidated statement of activities.

12. Distribution Requirements

The Endowment is subject to the distribution requirements of the IRC. Accordingly, it must distribute within one year after the end of each fiscal year, a minimum of 5% of the net value of noncharitable-use assets, as defined. The assets that are to be included in the 5% distribution requirement are based on average monthly balances and are exclusive of those assets deemed to be held for charitable activities or program-related investments. In determining qualifying distributions, grant payments are considered on a cash basis and certain expenses are considered as qualifying distributions.

For the period March 2011 through March 2015, The Endowment exceeded the minimum distribution requirements by $248 million. The IRC allows The Endowment to utilize all or some of this excess to meet future years' distribution requirements. Each fiscal year's excess distributions carryover expires after five years.

13. Retirement Plan

The Endowment maintains a qualified 401(k) Employee Investment Plan that provides for uniform employer contributions of one dollar for every dollar contributed by a participant up to 7% of the participant's salary deferral contribution. The Endowment's contribution to this plan for the years ended March 31, 2017 and 2016 was $1,030,000 and $988,000, respectively.

The Endowment has a defined benefit cash balance plan (the "Plan") covering all employees with one year of service. The Plan is entirely funded by The Endowment. Each employee's account is credited with 8% of eligible wages for each year in which employees work more than 1,000 hours, with additional credits based on age. The employees are vested 20% each year for the first two years after entering the Plan, with full vesting at the end of three years or upon reaching the age of 65 while employed by The Endowment. In addition, each employee's account is credited each year with an interest factor equal to the annual interest on 20-year Treasury bonds as of the last day of the previous Plan Year, or 5%, if higher, effective January 1, 2017. For periods prior to January 1, 2017, the Plan's minimum annual interest crediting rate was 5.25%. The change was effected by Plan amendment. At retirement, employees are paid their accumulated amount in the Plan, either as an annuity or lump sum, at their election. Upon termination of service, employees may withdraw or roll over their vested accumulated cash balance.

The benefit cost for the fiscal year ending March 31, 2018 is estimated to be $1,066,000. This benefit cost assumes no contributions in the upcoming fiscal year. The Endowment's funding policy is to contribute amounts to the Plan sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA), plus additional amounts as deemed to be appropriate. The Plan had a total ERISA funding shortfall as of January 1, 2016 of $977,000 thereby requiring quarterly contributions for the 2017 plan year of $271,000. The Endowment may fulfil the quarterly contribution requirements either through cash contributions or the use of its ERISA prefunding balance.

In order to determine the expected long-term rate of return for the Plan, The Endowment considered historical performance of various asset classes, investment community forecasts, and current economic and market conditions.

The Plan's investment policy allows assets to be allocated to various asset classes, which include cash and liquid investments, income and equity investments, balanced investments, real estate and real estate trusts, sector-based, and alternative investments. The Plan's assets are invested with the goal of providing both a reasonable level of income and long-term growth of capital and income, along with achieving a broadly diversified holding of stocks and bonds.

The Plan's assets are fully invested in a variety of equity and fixed income mutual funds as of March 31, 2017 comprised of 61.78% equities, 37.29% fixed income and 0.93% cash and cash equivalents. As of March 31, 2016, the plan was invested in a collective investment trust comprised of 59% equities, 39% fixed income and 2% cash and cash equivalents.

The changes in accumulated post retirement benefit obligation, plan assets, and the amounts recognized in the consolidated financial statements are as follows at March 31 and for the year ended:

	2017	2016
Projected benefit obligation at beginning of the year	$ 16,343,482	$ 14,684,286
Service cost	1,243,786	1,214,759
Interest cost	570,352	509,913
Change in interest crediting rate assumption	(476,213)	-
Other assumption changes	(326,923)	-
Actuarial loss	595,728	310,911
Benefits paid by employer	(297,035)	(376,387)
Projected benefit obligation at end of the year	$ 17,653,177	$ 16,343,482

	2017	2016
Fair value of Plan assets at beginning of the year	$ 11,389,851	$ 10,992,683
Actual return on Plan assets	1,195,751	(126,445)
Employer contributions	5,000,000	900,000
Expenses	(2,864)	-
Benefits paid	(297,035)	(376,387)
Fair value of Plan assets at end of the year	$ 17,285,703	$ 11,389,851
(Unfunded) status of the plan	$ (367,474)	$ (4,953,631)

	2017	2016
Amounts recognized in the consolidated statements of financial position		
Assets	$ -	$ -
Liabilities	(367,474)	(4,953,631)
Net (liability)	$ (367,474)	$ (4,953,631)

	2017	2016
Amounts recognized in unrestricted net assets		
Prior service (credit) cost	$ (440,645)	$ 39,913
Net actuarial loss	5,231,614	5,798,149
Total amounts recognized in unrestricted net assets	$ 4,790,969	$ 5,838,062

	2017	2016
Net periodic pension cost and amounts recognized in the change in unrestricted net assets		
Service cost	$ 1,243,786	$ 1,214,759
Interest cost	570,352	509,913
Expected return on plan assets	(658,778)	(756,403)
Amortization of prior service cost	4,345	4,345
Amortization of net loss	301,231	241,910
Net periodic pension cost	$ 1,460,936	$ 1,214,524

	2017	2016
Other changes in Plan assets and benefit obligation recognized in the change in unrestricted net assets		
Net (gain) loss	$ (566,535)	$ 951,849
Prior service (credit) cost	(476,213)	-
Amortization of prior service cost	(4,345)	(4,345)
Change in minimum pension liability recognized in change in unrestricted net assets	$ (1,047,093)	$ 947,504

The estimated prior service cost and actuarial loss for the Plan that will be amortized from unrestricted net assets into net periodic benefit cost during the following fiscal year are ($27,659) and $232,950, respectively.

Weighted-average assumptions used to determine benefit obligations at March 31, 2017 and 2016 are as follows:

	2017	2016
Discount rate	3.94 %	3.78 %
Expected return on plan assets	6.50 %	6.50 %
Rate of compensation increase	5.00 %	5.00 %

Weighted-average assumptions used to determine net periodic pension costs at March 31, 2017 and 2016 are as follows:

	2017	2016
Discount rate	3.78 %	3.70 %
Expected return on plan assets	6.50 %	7.50 %
Rate of compensation increase	5.00 %	5.00 %

Net periodic benefit cost, employer contributions, and benefits paid for the years ended March 31, 2017 and 2016, are as follows:

	2017	2016
Net periodic benefit cost	$ 1,244	$ 1,215
Employer contrbution	5,000	900
Benefits paid from plan assets	(297)	(376)

The accumulated benefit obligation for the Plan was $17,149,000 and $15,645,000 at March 31, 2017 and 2016, respectively.

The estimated future benefit payments are as follows:

Years Ending March 31,	
2018	$ 1,896
2019	741
2020	1,139
2021	1,311
2022	725
Years 2023 through 2027	5,855

The following is a description of the valuation methodologies used for Plan assets measured at fair value. There have been no changes in the methodologies used at March 31, 2017 and 2016.

Mutual Funds: Valued at NAV of $1 per unit.

Collective Investment Trust: Units of participation may be purchased or redeemed on the valuation dates at the fair value per unit on such valuation dates using NAV. All funds are valued in an active market on a daily basis.

The following table sets forth, by level, within the fair value hierarchy, the Plan's assets at fair value as of March 31, 2017:

	Level 1	Level 2	Level 3	NAV as Practical Expendient	Total
Equities	$ -	$ 10,679,162	$ -	$ -	10,679,162
Fixed Income	-	6,445,374	-		6,445,374
Cash and cash equivalents	161,167	-	-	-	161,167
	$ 161,167	$ 17,124,536	$ -	$ -	$ 17,285,703

The following table sets forth, by level, within the fair value hierarchy, the Plan's assets at fair value as of March 31, 2016:

	Level 1	Level 2	Level 3	NAV as Practical Expendient	Total
Collective Investment Trust	$ -	$ -	$ -	$ 10,470,159	$ 10,470,159
Cash and cash equivalents	919,692	-	-	-	919,692
	$ 919,692	$ -	$ -	$ 10,470,159	$ 11,389,851

14. Related Parties

In September 2009, the LLC engaged The Endowment to provide various management and administrative services, equipment, supplies, and other goods and services on its behalf under an administrative services agreement. Under the terms of the agreement, The Endowment shall be compensated annually by the LLC for $1 and the agreement shall have a term of one year, with an automatic annual renewal unless otherwise terminated by either party for cause. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

15. Subsequent Events

The Endowment has evaluated subsequent events to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated by The Endowment through October 5, 2017, the date the consolidated financial statements were made available for issuance.