



Financial Statements and Report of Independent
Certified Public Accountants

COLBURN FOUNDATION

December 31, 2015 and 2014

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Report of Independent Certified Public Accountants

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Board of Directors
Colburn Foundation

We have audited the accompanying financial statements of Colburn Foundation (the “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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colburn Foundation as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Los Angeles, California

November 9, 2016

Colburn Foundation

STATEMENTS OF FINANCIAL POSITION

As of December 31,

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 108,145	\$ 39,449
Investments	136,126,101	153,892,206
Pending trade settlements	9,500,000	-
Deposits and other current assets	-	2,531
Federal excise tax receivable	103,974	7,093
	<u>103,974</u>	<u>7,093</u>
Total assets	<u>\$ 145,838,220</u>	<u>\$ 153,941,279</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 2,543	\$ 12,029
Deferred lease liability	-	18,769
Deferred tax liability	322,311	500,459
Grants payable, net of discount of \$2,626,977 and \$3,336,936 for 2015 and 2014, respectively	29,952,023	32,805,064
	<u>29,952,023</u>	<u>32,805,064</u>
Total liabilities	<u>30,276,877</u>	<u>33,336,321</u>
Net assets		
Unrestricted	<u>115,561,343</u>	<u>120,604,958</u>
Total net assets	<u>115,561,343</u>	<u>120,604,958</u>
Total liabilities and net assets	<u>\$ 145,838,220</u>	<u>\$ 153,941,279</u>

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

Colburn Foundation

STATEMENTS OF ACTIVITIES

For the Years Ended December 31,

	<u>2015</u>	<u>2014</u>
Revenues		
Contributions	\$ 54,837	\$ 500
Dividends and interest income	3,555,827	4,678,556
Net realized and unrealized gains on investments	(3,388,637)	6,804,411
Miscellaneous income	<u>23,759</u>	<u>2,885</u>
Total revenues	<u>245,786</u>	<u>11,486,352</u>
Expenses		
Grants	3,469,852	31,745,593
Management and general	553,817	642,652
Investment fees	<u>1,258,296</u>	<u>1,213,783</u>
Total expenses before provision for excise taxes	5,281,965	33,602,028
Provision for excise taxes	<u>7,436</u>	<u>227,428</u>
Total expenses	<u>5,289,401</u>	<u>33,829,456</u>
Change in net assets	(5,043,615)	(22,343,104)
Unrestricted net assets, beginning of year	<u>120,604,958</u>	<u>142,948,062</u>
Unrestricted net assets, end of year	<u>\$ 115,561,343</u>	<u>\$ 120,604,958</u>

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

Colburn Foundation

STATEMENTS OF CASH FLOWS

For the Years Ended December 31,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ (5,043,615)	\$ (22,343,104)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments	3,388,637	(6,804,411)
Discount on grants payable at net present value	(709,959)	3,087,928
Changes in operating assets and liabilities:		
Federal excise tax receivable	(96,881)	63,875
Deposits and other current assets	2,531	-
Accounts payable and accrued expenses	(9,486)	2,773
Federal excise tax payable	-	-
Deferred lease liability	(18,769)	6,849
Deferred tax liability	(178,148)	(43,103)
Grants payable	<u>(2,143,082)</u>	<u>22,733,144</u>
Net cash used in operating activities	<u>(4,808,772)</u>	<u>(3,296,049)</u>
Cash flows from investing activities		
Purchases of investments	(33,539,318)	(56,395,176)
Proceeds from sale of investments	<u>38,416,786</u>	<u>59,717,525</u>
Net cash provided by investing activities	<u>4,877,468</u>	<u>3,322,349</u>
Net change in cash and cash equivalents	68,696	26,300
Cash and cash equivalents, beginning of year	<u>39,449</u>	<u>13,149</u>
Cash and cash equivalents, end of year	<u>\$ 108,145</u>	<u>\$ 39,449</u>
Supplemental disclosure of cash flow information		
Federal excise tax paid	<u>\$ 275,000</u>	<u>\$ 200,000</u>

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

Colburn Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

1. NATURE OF OPERATIONS

The Colburn Foundation (“Foundation”) is a California nonprofit private foundation whose primary purpose is to provide grants to charitable organizations furthering the study, teaching, and performance of classical music and dance in the United States of America and abroad. The Foundation was created and funded by Richard D. Colburn whose dreams of becoming a professional musician fueled his generosity and life-long commitment to music and music education.

2. 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. The Foundation classifies its net assets into three categories according to donor-imposed restrictions or provisions of law: permanently restricted, temporarily restricted, and unrestricted.

Permanently Restricted Net Assets

The part of net assets of the Foundation which include gifts in which donors have stipulated that the principle be invested in perpetuity. At December 31, 2015 and 2014, the Foundation had no such net assets.

Temporarily Restricted Net Assets

The part of net assets of the Foundation resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. At December 31, 2015 and 2014, the Foundation had no such net assets.

Unrestricted Net Assets

The part of the net assets of the Foundation that are not subject to donor-imposed restrictions. The only limits on unrestricted net assets are broad limits resulting from the nature of the Foundation and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements. Unrestricted net assets include Board-designated funds.

Revenues and Expense Recognition

Investment income, including realized and unrealized gains and losses, are recognized as revenues in the statements of activities.

Colburn Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenues and Expense Recognition - Continued

The Foundation records contribution revenue when they are received unconditionally at their fair value. Contributions are reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. The Foundation did not receive unrestricted or restricted contributions for the years ended December 31, 2015 and 2014.

Grant expenses are recorded when the Foundation's Board of Directors agrees to make an unconditional contribution to a qualified charity.

Cash and Cash Equivalents

The Foundation considers all highly liquid instruments purchased with an original maturity of three months or less to be classified as cash equivalents, except that any such investments held by external investment managers are classified as investments. The carrying value approximates fair value because of the short maturity of those instruments.

Investments

The Foundation holds significant investments in the form of fixed-income and equity securities. Many of these investments in stocks and bonds are listed on national securities exchanges, quoted on New York Stock Exchange ("NYSE"), NASDAQ Stock Market or on over-the-counter-markets. The investments in hedge funds includes funds that invest in transactions at the sole discretion of the investment managers. The funds hold, among other investments, debt and/or equity securities of troubled or restructured companies, and enter into transactions in financial futures, foreign exchange options, forward currency contracts (which are used for hedging and non-hedging purposes), securities purchased under agreements to resell and securities sold under agreements to repurchase. The investments in these funds may not be immediately liquid.

Investments in limited partnerships include investments in assets that may be illiquid and require redemption requests be made at certain times during the fiscal year. Those investments in which the Foundation has requested redemption of shares in limited partnerships are recorded at fair value until the redemption has occurred.

Investment transactions are recorded on trade date. Realized gains and losses on sales of investments are determined on the specific identification basis.

The investments are monitored by the Foundation's Finance and Investment Committee and made in a manner consistent with policies and guidelines established by the Finance and Investment Committee and approved by the Board of Directors. The Foundation is exposed to credit loss for the amount of the investments in the event of nonperformance by the other parties in the investment transactions. However, nonperformance by the counterparties is not anticipated.

Colburn Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Equipment

Office equipment is recorded at cost at the time of acquisition. Depreciation is provided over the estimated useful life (3 years) of the respective asset on a straight-line basis. Office equipment with an original cost of \$13,172 is fully depreciated. Repairs and maintenance are charged as expense when incurred.

Income Taxes

The Foundation has been recognized by the Internal Revenue Service (“IRS”) as exempt from federal income taxes under provisions of the Internal Revenue Code (“IRC”) Section 501(c)(3), except for unrelated business income and has also been determined by the IRS as an organization that is classified as a private operating foundation under IRC Section 509(a).

The Foundation is subject to federal excise tax of 2%, or 1% if certain criteria are met, on net investment income, including realized gains as defined by the IRC. For tax purposes, the Foundation’s basis in contributions of appreciated property is equal to that of the donor and the tax basis in other investments is the cost of the investment. This difference between the tax basis and fair value of appreciated assets for financial statements and tax purposes results in net unrealized gains or losses on investments for tax purposes, which increases taxable investment income when those investments are sold at a gain.

The Foundation has also been recognized by the California Franchise Tax Board (“FTB”) as exempt from California franchise and/or income taxes under section 23701(d) of the California Revenue and Taxation Code, except for unrelated business income.

The Foundation recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740, which requires the Foundation to determine whether tax positions of the Foundation are “more likely than not” to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of December 31, 2014, the Foundation has analyzed the inventory of tax positions taken with respect to all applicable income tax issues for all open tax years (in each respective jurisdiction) including tax years ended December 31, 2010 through December 31, 2014 for federal tax purposes and tax years ended December 31, 2009 through December 31, 2014 for state tax purposes and has concluded that no reserve for uncertain tax positions is required as of the date of adoption January 1, 2010 or as of the year ended December 31, 2014 or December 31, 2015 and that no material change is anticipated in the twelve months following the year ended December 31, 2015.

Colburn Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In May 2015, the FASB issued Accounting Standards Update (“ASU”) 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. The guidance specifically classified how investments valued using the net asset value (NAV) practical expedient within the fair value hierarchy should be classified. The ASU was issued in order to address diversity in practice. The amended standard’s key provision exempts investments measured using the NAV practical expedient from categorization within the fair value hierarchy and related disclosures. The new guidance is effective for The Endowment for the year ending March 31, 2017, with early adoption permitted. The Foundation is in the process of evaluating the impact of this standard on its operations.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The guidance is intended to simplify and improve how a not-for-profit organization (NFP) classifies its net assets, as well as the information it presents in its financial statements about its liquidity, financial performance and cash flows. The new guidance is effective for annual reporting periods beginning after December 15, 2017. The Foundation is in the process of evaluating the impact of this standard on its operations.

3. INVESTMENTS

The Foundation records its investments at fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures*. The Statement establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Foundation’s assumptions (unobservable inputs). Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. An adjustment to the pricing method used within either Level 1 or Level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy.

Colburn Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

3. INVESTMENTS - Continued

The hierarchy consists of three broad levels as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than Level 1 inputs that are either directly or indirectly observable

Level 3 – Unobservable inputs developed using the Foundation's estimates and assumptions, which reflect those that market participants would use

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Foundation evaluates its hierarchy disclosures each reporting period and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Foundation expects that changes in classifications between different levels will be rare.

The following is a description of the valuation methodologies used for investments at fair value, as well as the general classification pursuant to the valuation hierarchy.

When quoted prices are available in an active market, securities are classified within Level 1 of the fair value hierarchy. If quoted market prices are not available or accessible, then fair values are estimated using pricing models, matrix pricing, or discounted cash flow models. The fair value of securities estimated using pricing models or matrix pricing are generally classified within Level 2 of the fair value hierarchy. When discounted cash flow models are used there is limited activity or less transparency around inputs to the valuation and securities are classified within Level 3 of the fair value hierarchy.

Colburn Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

3. INVESTMENTS - Continued

The fair values of investments that are measured on a recurring basis are listed below as of December 31 2015:

	<u>Totals</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and Cash Equivalents	\$ 210,511	\$ 210,511	\$ -	\$ -
Global Equities				
U.S Equities	18,007,329	8,224,833	9,782,496	-
International Equities	13,700,816	13,700,816	-	-
Global Equities (US & Intl)	21,231,340	15,140,086	6,091,254	-
Absolute Return Strategies	22,907,172	-	-	22,907,172
Private Equity	10,887,906	-	-	10,887,906
Global REIT's	132,080	132,080	-	-
Private Real Estate	12,011,090	148,599	-	11,862,491
Master Limited Partnerships	6,762,429	-	6,762,429	-
Oil & Gas	2,445,268	-	-	2,445,268
Core Fixed Income	27,830,160	27,830,160	-	-
Totals	<u>\$ 136,126,101</u>	<u>\$ 65,387,085</u>	<u>\$ 22,636,179</u>	<u>\$ 48,102,837</u>

Colburn Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

3. INVESTMENTS - Continued

The fair values of investments that are measured on a recurring basis are listed below as of December 31 2014:

	<u>Totals</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and Cash Equivalents	\$ 477,150	\$ 477,150	\$ -	\$ -
Global Equities				
U.S Equities	27,664,241	17,976,044	9,688,197	-
International Equities	19,103,385	19,103,385	-	-
Global Equities (US & Intl)	23,643,782	16,654,052	6,989,730	-
Absolute Return Strategies	24,982,377	-	-	24,982,377
Private Equity	7,210,393	-	-	7,210,393
Private Securities	-	-	-	-
Global REIT's	2,929,771	2,929,771	-	-
Private Real Estate	9,038,740	-	-	9,038,740
Master Limited Partnerships	8,316,938	-	8,316,938	-
Oil & Gas	1,915,906	-	-	1,915,906
Core Fixed Income	28,609,523	28,609,523	-	-
Totals	<u>\$ 153,892,206</u>	<u>\$ 85,749,925</u>	<u>\$ 24,994,865</u>	<u>\$ 43,147,416</u>

Colburn Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

3. INVESTMENTS - Continued

The Foundation's valuation methodologies used for alternative investments measured at fair value is based on net asset value ("NAV") of shares held by the Foundation at year end. There have been no changes in the methodologies used at December 31, 2015 and 2014.

The following is a description of valuation inputs and techniques that the Foundation utilizes to fair value each major category of assets and liabilities in accordance with ASC 820:

Global Equities – Equity securities that are actively traded on a securities exchange are valued on quoted prices from the applicable exchange, and to the extent valuation adjustments are not applied to these securities, they are categorized as Level 1. Equity securities traded on inactive markets and certain foreign equity securities are valued using significant other observable inputs, which include broker quotes or evaluated price quotes received from pricing services. To the extent that these inputs are observable and timely, the values of these securities are categorized as Level 2; otherwise, the values are categorized as Level 3.

Absolute Return Strategies – Investments are valued based on NAV per share (or its equivalent) of the underlying fund as provided by the investment manager. These investments are in the form of partnerships which may invest in bank debt, convertible arbitrage, capital structure arbitrage, high yield investments, structured credit investments, merger arbitrage, special situations, distressed debt and long/short strategies. To the extent that these inputs are observable and timely, the values of these securities are categorized as Level 2; otherwise, the values are categorized as Level 3.

On October 15, 2008, a partnership investment in credit strategies announced that the partnership would be liquidated. A resolution to dissolve and distribute the remaining assets in the partnership has been approved. The values of these securities were \$1,332,907 and \$1,592,982 at December 31, 2015 and 2014, respectively, and are categorized as Level 3.

Private Equity – Investments are valued based on NAV per share (or its equivalent) of the underlying fund as provided by the investment manager. To the extent that the Fund does not have the ability to redeem its investment with the investee investment fund in the near term at NAV per share, the values are categorized as Level 3. In the absence of such NAV per share, fair value is determined in good faith by the investment advisor. To the extent that inputs are observable, the values are categorized as Level 2; otherwise, the values are categorized as Level 3.

Colburn Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

3. INVESTMENTS - Continued

Private equity investments are not registered for public sale and are carried at estimated fair value as determined in good faith by the Foundation's management after consideration of available relevant financial, operational, and economic data. Significant factors considered in the estimation of fair value include, but are not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

Global REITs – These investments are in the form of a common trust fund which may invest in activities in or related to the development, operation, and/or ownership of real estate (including Real Estate Investment Trusts (“REITs”). To the extent that they are actively traded on a securities exchange, they are valued on quoted prices from the applicable exchange, and to the extent valuation adjustments are not applied to these securities, they are categorized as Level 1.

Investments are valued based on NAV per share (or its equivalent) of the underlying fund as provided by the investment manager. The common trust fund may also invest in real estate service companies and non-US companies. To the extent that these inputs are observable and timely, the value of these securities is categorized as Level 2; otherwise, the values are categorized as Level 3.

Master Limited Partnerships – Master Limited Partnerships (“MLPs”) currently operate in the energy infrastructure industry, owning assets such as pipelines that transport crude oil, natural gas and other refined petroleum products. To the extent that these inputs are observable and timely, the value of these securities is categorized as Level 2; otherwise, the values are categorized as Level 3.

Oil and Gas – Investments in oil and gas related companies consist of direct private equity investments in partnerships. The transaction price, excluding transaction costs, is typically the Foundation's best estimate of fair value at inception. When evidence supports a change to the carrying value from the transaction price, adjustments are made to reflect expected exit values. To the extent that the Foundation does not have the ability to redeem its investments with the investee investment fund in the near term a NAV per share, the values are categorized as Level 3.

Colburn Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

3. INVESTMENTS - Continued

Core Fixed Income – These investments are in the form of equity securities in U.S. Treasury bonds, notes and mortgage backed securities of varying maturities issued by the U.S. government, their agencies or instrumentalities. Equity securities that are actively traded on a securities exchange are valued on quoted prices from the applicable exchange, and to the extent valuation adjustments are not applied to these securities, they are categorized as Level 1.

The following table presents additional information about the assets recorded at fair value on the Foundation's Statements of Financial Position on a recurring basis for which Level 3 inputs were used. The table presents amounts of total gains and losses for the period ended December 31, 2015 and 2014 that have been included in earnings and are attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2015 and 2014 measured utilizing significant unobservable inputs (Level 3):

	Beginning Balance January 1, 2015	Net Income (Expense)	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Purchases	Sales	Ending Balance December 31, 2015
Absolute Return Strategies	\$ 24,982,377	\$ -	\$ 35,322	\$ (274,124)	\$ -	\$ (1,836,403)	\$ 22,907,172
Private Equity	7,210,393	(161,282)	885,554	341,098	3,919,894	(1,307,751)	10,887,906
Private Real Estate	9,038,740	(425,455)	926,154	1,137,736	4,535,035	(3,349,719)	11,862,491
Oil & Gas	1,915,906	(39,292)	-	(260,882)	829,536	-	2,445,268
Totals	<u>\$ 43,147,416</u>	<u>\$ (626,029)</u>	<u>\$ 1,847,030</u>	<u>\$ 943,828</u>	<u>\$ 9,284,465</u>	<u>\$ (6,493,873)</u>	<u>\$ 48,102,837</u>
	Beginning Balance January 1, 2014	Net Income (Expense)	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Purchases	Sales	Ending Balance December 31, 2014
Absolute Return Strategies	\$ 22,995,147	\$ (1)	\$ 193,280	\$ 999,274	\$ 1,000,000	\$ (205,323)	\$ 24,982,377
Private Equity	8,412,438	(209,008)	2,824,635	(1,142,667)	2,172,062	(4,847,067)	7,210,393
Private Securities	58,423	-	58,423	(58,423)	-	(58,423)	-
Private Real Estate	5,040,492	(224,216)	583,711	1,626,023	5,784,792	(3,772,062)	9,038,740
Oil & Gas	3,043,008	(58,178)	510,273	(834,809)	560,000	(1,304,388)	1,915,906
Totals	<u>\$ 39,549,508</u>	<u>\$ (491,403)</u>	<u>\$ 4,170,322</u>	<u>\$ 589,398</u>	<u>\$ 9,516,854</u>	<u>\$ (10,187,263)</u>	<u>\$ 43,147,416</u>

Colburn Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

3. INVESTMENTS - Continued

The following table lists investments in investment companies which are valued at NAV by major category as of December 31, 2015:

	<u>NAV in funds</u>	<u>\$ Amount of Unfunded Commitments</u>	<u>Timing to Draw Down Commitments</u>	<u>No. of Investments</u>	<u>Redemption/Lock up terms</u>	<u>Redemption Restrictions</u>
Absolute Return Strategies	\$22,907,172	\$ -	N/A	2	Lock-up period up to one-year. Withdrawals can be made quarterly with zero to sixty day notice.	May be limited or suspended under certain circumstances.
Private Equity	10,887,906	13,084,767	Up to 2022	8	Can not redeem	Can not redeem
Private Real Estate	11,862,491	10,317,014	Up to 2018	9	Can not redeem	Can not redeem
Oil & Gas	<u>2,445,268</u>	<u>2,884,681</u>	Up to 2019	3	Can not redeem	Can not redeem
	<u>\$48,102,837</u>	<u>\$26,286,462</u>				

The following table lists investments in investment companies which are valued at NAV by major category as of December 31, 2014:

	<u>NAV in funds</u>	<u>\$ Amount of Unfunded Commitments</u>	<u>Timing to Draw Down Commitments</u>	<u>No. of Investments</u>	<u>Redemption/Lock up terms</u>	<u>Redemption Restrictions</u>
Absolute Return Strategies	\$24,982,377	\$ -	N/A	3	Lock-up period up to one-year. Withdrawals can be made quarterly with zero to sixty day notice.	May be limited or suspended under certain circumstances.
Private Equity	7,210,393	8,952,452		5	Can not redeem	Can not redeem
Private Real Estate	9,038,740	12,643,010		8	Can not redeem	Can not redeem
Oil & Gas	<u>1,915,906</u>	<u>1,375,585</u>		2	Can not redeem	Can not redeem
	<u>\$43,147,416</u>	<u>\$22,971,047</u>				

Colburn Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

4. GRANTS PAYABLE

Unconditional promises to give totaled \$32,579,000 and \$36,142,000 at December 31, 2015 and 2014, respectively, and have been discounted to their present value using rates between 0.49% and 3.01% for 2015 and 2014, based on the length of the grants. Commitments for grants due in future periods are comprised of the following at December 31, 2015:

<u>Years ending December 31,</u>	<u>Amount</u>
2016	\$ 5,619,000
2017	5,145,000
2018	4,035,000
2019	3,780,000
2020	3,000,000
Thereafter	<u>11,000,000</u>
Grants payable - gross	32,579,000
Less: Unamortized discount	<u>(2,626,977)</u>
Grants payable - net	<u><u>\$ 29,952,023</u></u>
California Institute of the Arts	\$ 100,000
The Colburn School	26,000,000
Los Angeles Chamber Orchestra	600,000
Los Angeles Master Chorale	600,000
Los Angeles Opera	2,000,000
Los Angeles Philharmonic	2,500,000
University of Southern California	175,000
Other	<u>604,000</u>
Total	<u><u>\$ 32,579,000</u></u>

Colburn Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

4. GRANTS PAYABLE - Continued

Commitments for grants due in future periods are comprised of the following at December 31, 2014:

<u>Years ending December 31,</u>	<u>Amount</u>
2015	\$ 5,526,000
2016	5,116,000
2017	4,000,000
2018	3,750,000
2019	3,750,000
Thereafter	<u>14,000,000</u>
Grants payable - gross	36,142,000
Less: Unamortized discount	<u>(3,336,936)</u>
Grants payable - net	<u><u>\$ 32,805,064</u></u>
California Institute of the Arts	\$ 100,000
The Colburn School	29,000,000
Los Angeles Chamber Orchestra	600,000
Los Angeles Master Chorale	400,000
Los Angeles Opera	2,250,000
Los Angeles Philharmonic	3,250,000
University of Southern California	150,000
Other	<u>392,000</u>
Total	<u><u>\$ 36,142,000</u></u>

As of December 31, 2015 and 2014, the Foundation had also approved grants totaling \$75,000 and \$50,000, respectively, which are payable upon future events.

Colburn Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

5. FEDERAL EXCISE TAX

The Colburn Foundation is a private foundation and qualifies as a tax-exempt organization under Section 501(c)(3) of the IRC. Private foundations are subject to an excise tax on net investment income and may reduce their federal excise tax rate from two percent to one percent by exceeding a certain payout target for the year. The Foundation paid a two percent excise tax rate in 2015 and in 2014. The deferred tax provision is related to the book/tax basis difference in the Foundation's investments, primarily on unrealized gains.

The expense for federal excise tax is as follows:

	<u>2015</u>	<u>2014</u>
Current	\$ 165,445	\$ 270,531
Deferred	<u>(158,009)</u>	<u>(43,103)</u>
Total	<u>\$ 7,436</u>	<u>\$ 227,428</u>

6. COMMITMENTS

In August 2013, the Foundation signed a five-year lease for office space, beginning in September 2013. In August 2015, the Foundation terminated their lease and moved to new office space provided by a board member. The office space is provided free of charge. Rent expense for office space was \$31,741 and \$44,067 for the years ended December 31, 2015 and 2014, respectively.

7. PENSION PLAN

In 2008, the Foundation adopted a 401(k) Profit Sharing Plan (the "Plan") covering substantially all qualified employees. The Foundation's contributions to the Plan are based upon 4% of eligible employee salaries. The related expense is included in management and general expenses in the statements of activities and is \$11,440 and \$13,340 for the years ended December 31, 2015 and 2014, respectively.

Colburn Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

8. RELATED PARTY TRANSACTIONS

The Foundation awarded grants in the amount of \$89,993 and \$32,094,923 to The Colburn School during the years ended December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, the amount payable to The Colburn School is \$26,000,000 and \$29,000,000, respectively.

9. SUBSEQUENT EVENTS

The Foundation has evaluated its financial statements for subsequent events through November 9, 2016, the date the financial statements were available to be issued.