

**S.H. COWELL
FOUNDATION**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

S.H. COWELL FOUNDATION

CONTENTS

Independent Auditors' Report	1 - 2
---	-------

Financial Statements

Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows.....	5

Notes to Financial Statements	6 - 27
--	--------

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
S. H. Cowell Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of S. H. Cowell Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2015, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the 2015 financial statements referred to above present fairly, in all material respects, the financial position of S. H. Cowell Foundation as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of S. H. Cowell Foundation as of December 31, 2014, were audited by Lautze & Lautze CPA's & Financial Advisors whose practice was combined with Marcum LLP as of June 1, 2016, and whose report dated August 13, 2015, expressed an unmodified opinion on those financial statements.

Marcum LLP

San Francisco, California
September 7, 2016

S. H. COWELL FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
Assets		
Cash	\$ 999,381	\$ 1,263,567
Excise tax receivable	67,000	114,000
Investments	110,096,664	120,617,956
Notes receivable, net	9,068,347	9,248,071
Other assets (including property and equipment, net and prepaid expenses)	337,841	318,865
Total Assets	\$ 120,569,233	\$ 131,562,459
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 138,828	\$ 122,688
Deferred rent	134,628	141,960
Deferred excise tax	474,000	599,000
Total Liabilities	747,456	863,648
Unrestricted Net Assets	119,821,777	130,698,811
Total Liabilities and Net Assets	\$ 120,569,233	\$ 131,562,459

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

S.H. COWELL FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Investment Income (Loss)		
Net realized gain on investments	\$ 2,378,216	\$ 4,948,804
Gain on sale of participation rights	--	1,045,037
Dividends	508,209	478,562
Interest	315,862	170,381
Net unrealized loss on investments	<u>(6,267,456)</u>	<u>(1,931,091)</u>
Net Investment Income (Loss)	<u>(3,065,169)</u>	<u>4,711,693</u>
Expenses		
Personnel and office expenses	1,603,783	1,625,393
Investment advisory, management and custodial fees	377,031	370,496
Professional fees	208,033	146,495
Real property expenses	71,415	59,467
Other expenses	<u>283,660</u>	<u>134,939</u>
Total Expenses	<u>2,543,922</u>	<u>2,336,790</u>
Change in net assets before federal excise tax expense and grants	(5,609,091)	2,374,903
Federal Excise Tax Expense	<u>47,000</u>	<u>45,000</u>
Change in Net Assets Before Grants	(5,656,091)	2,329,903
Grants authorized	5,250,114	4,919,362
Grants cancelled	<u>(29,171)</u>	<u>(8,393)</u>
Change in net assets	(10,877,034)	(2,581,066)
Unrestricted Net Assets - Beginning	<u>130,698,811</u>	<u>133,279,877</u>
Unrestricted Net Assets - Ending	<u>\$ 119,821,777</u>	<u>\$ 130,698,811</u>

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

S.H. COWELL FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ (10,877,034)	\$ (2,581,066)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized gain on investments	(2,378,216)	(4,948,804)
Net unrealized loss on investments	6,267,456	1,931,091
Discount on notes receivable	(29,284)	65,793
Depreciation	19,815	19,577
Loss on disposal of fixed assets	600	--
Changes in operating assets and liabilities:		
Excise tax receivable	47,000	(50,000)
Other assets	(21,613)	559,949
Accounts payable and accrued expenses	16,140	20,399
Deferred rent	(7,332)	(3,024)
Deferred excise tax	(125,000)	(40,000)
Net Cash Used by Operating Activities	<u>(7,087,468)</u>	<u>(5,026,085)</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	7,979,309	22,776,715
Purchase of investments	(3,275,420)	(22,997,357)
Partnership distributions	1,928,163	3,065,431
Issuance of notes receivable	--	(2,045,037)
Collection on notes receivable	209,008	209,007
Purchase of property and equipment	(17,778)	--
Net Cash Provided by Investing Activities	<u>6,823,282</u>	<u>1,008,759</u>
Net Decrease in Cash	(264,186)	(4,017,326)
Cash - Beginning	<u>1,263,567</u>	<u>5,280,893</u>
Cash - Ending	<u>\$ 999,381</u>	<u>\$ 1,263,567</u>

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

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

The S. H. Cowell Foundation (the Foundation) is a nonprofit public benefit corporation established in 1956 through a bequest by Samuel H. Cowell. The mission of the Foundation is to improve the quality of life of children living in poverty in Northern and Central California by providing support that strengthens families and communities. The Foundation's grantmaking focuses on five complementary program areas: Families and Communities, Education, Youth Development, Leadership Development, and Opportunity Fund.

BASIS OF ACCOUNTING

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

BASIS OF PRESENTATION

U.S. GAAP requires that the Foundation report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, the net assets of the Foundation are classified and reported as described below:

Unrestricted

Those net assets and activities which represent the portion of expendable funds that are available to support the Foundation's operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

Temporarily Restricted

Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

Permanently Restricted

Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

As of December 31, 2015 and 2014, and for the years then ended, the Foundation did not have net assets meeting the definition of temporarily restricted or permanently restricted.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP 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.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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 carrying amounts of cash and accounts payable approximate fair value because of the short maturity of these instruments. The carrying amounts of long-term receivables approximate fair value as these receivables earn interest based on the prevailing rates.

INVESTMENTS

Investments traded on national exchanges are recorded at fair value as determined by the exchanges' quoted prices; unrealized gains and losses are included in the statements of activities.

The Foundation also has investments in limited companies, limited liability companies, and limited partnerships (Notes 2 and 3) which are valued at their estimated fair value as reported to the Foundation by the general partners of the limited partnerships and investment managers under the supervision of the respective funds' Boards of Managers of those limited liability companies. Because these investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. The estimated fair values are reviewed and evaluated by the Foundation.

Certain mineral rights have been retained in property sold. Carrying values have been assigned to these interests based upon capitalization of estimated royalty income.

The Foundation's Investment Committee is responsible for establishing investment criteria and overseeing the Foundation's investments.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NOTES RECEIVABLE

Notes receivable of \$8,441,325 are interest only notes and are stated at the principal amount or net present value if due beyond one accounting cycle. Notes receivable of \$627,022 call for quarterly payments of principal and interest and are stated at the principal amount. Interest on notes receivable is recognized over the term of the note and is calculated using the simple interest method on principal amounts outstanding. Management evaluates the collectability of notes receivable annually and at December 31, 2015 and 2014, no allowance was considered necessary.

PROPERTY AND EQUIPMENT

The Foundation capitalizes acquisitions of property and equipment with a cost or value in excess of \$1,000 and with an estimated useful life beyond one year. Purchased assets are recorded at cost. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from 3 to 10 years. Leasehold improvements are amortized over the shorter of the asset's life or the lease term. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statements of activities and changes in net assets.

REVENUE RECOGNITION

Revenue is recognized in the period in which it is earned. The Foundation derives its revenues from the interest and dividends earned from its investments, notes receivable, and from the change in fair value of its investment assets. Realized and unrealized gains (losses) and investment income (losses) derived from investment transactions are included as income in the year earned.

GRANT AWARDS

Grants are characterized as either conditional or unconditional. Conditional grants are those that depend upon the occurrence of a specified future and uncertain event to bind the Foundation. These grants are not reflected in the financial statements until the period in which the conditions upon which they depend are substantially met, that is, when they become unconditional. Unconditional grant awards that are more than \$25,000 are recognized when the award is approved by the Board of Directors. If the unconditional grant award is \$25,000 or under, the award is recognized when approved by the President of the Foundation. In December 2015, the Board approved an increase in the grant award limit approved by the President from \$25,000 to \$75,000, effective January 2016.

The balances of unexpended grants are required to be returned to the Foundation. Such amounts are recognized when known, usually when final reports are submitted to the Foundation from grantees.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

The Foundation is a qualified organization exempt from federal income and state franchise taxes under §501(c)(3) of the Internal Revenue Code (IRC) and §23701d of the California Revenue and Taxation Code. The Foundation also qualifies as a private foundation under §509(a) of the IRC, and as such, is subject to either a 1% or 2% federal excise tax on its net investment income based upon the Foundation's history of contributions paid.

Federal excise tax expense includes taxes currently payable and those deferred because of temporary differences between the estimated future tax effects of financial statement carrying amounts and the tax bases of existing assets and liabilities.

Management evaluated the Foundation's tax positions and concludes that it maintained tax exempt status and had taken no uncertain tax positions that would require adjustment to the financial statements. Therefore, no provision or liability for unknown income taxes has been included in the financial statements.

The Foundation's evaluation on December 31, 2015 revealed no tax positions that would have a material impact on the financial statements. The Foundation's returns are subject to examination by federal and state taxing authorities. However, there are no examinations in progress nor are there any pending. The Foundation does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

CONCENTRATIONS OF RISK

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and investments. The Foundation maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to this concentration.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONCENTRATIONS OF RISK (CONTINUED)

The Foundation invests in various investments that are not covered by federal insurance. These investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Foundation's balances and the amounts reported in the statements of financial position. To minimize its exposure to these risks, the Foundation's Investment Committee closely monitors all its investments in accordance with the Foundation's policies.

NOTE 2 - FAIR VALUE MEASUREMENTS

The Foundation's financial assets and liabilities that are carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3).

The levels of the fair value hierarchy are as follows:

Level 1

Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2

Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3

Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Foundation's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Alternative Investments

Alternative investments consist of investments in various funds. The funds' underlying investments are aggregated into equities, absolute return, hedge funds, hybrid, private equity, and buyout/growth. The fair value of such investments is determined using the net asset value (NAV) per share as a practical expedient. The investments, which are redeemable at or near year-end at NAV per share, are classified within Level 3 of the fair value hierarchy.

Real Assets, Equity and Fixed Income Funds

Direct investment in equity securities and mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange. The Foundation's interests in such investments are categorized as real assets, equity and fixed income funds. Such securities are classified within Level 1 of the fair value hierarchy.

Mineral Rights

The fair value of mineral rights are based on inputs that are not observable in the market, thus the Foundation has categorized these investments as Level 3 in the fair value hierarchy.

The following table provides information as of December 31, 2015 about the Foundation's financial assets measured at fair value on a recurring basis.

	Total	Level 1	Level 2	Level 3
Equities	\$ 36,485,656	\$ 7,254,637	\$ --	\$ 29,231,019
Absolute return	34,679,607	--	--	34,679,607
Fixed income	18,373,007	18,373,007	--	--
Equity hedge	9,521,580	--	--	9,521,580
Hybrid	3,678,725	--	--	3,678,725
Private equity fund of funds	2,836,864	--	--	2,836,864
Real assets	2,191,436	2,191,436	--	--
Buyout/growth	2,164,789	--	--	2,164,789
Mineral rights	165,000	--	--	165,000
Total	\$ 110,096,664	\$ 27,819,080	\$ --	\$ 82,277,584

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table provides information as of December 31, 2014 about the Foundation's financial assets measured at fair value on a recurring basis.

	Total	Level 1	Level 2	Level 3
Equities	\$ 40,735,266	\$ 12,107,217	\$ --	\$ 28,628,049
Absolute return	39,669,235	--	--	39,669,235
Fixed income	18,130,610	18,130,610	--	--
Equity hedge	9,570,732	--	--	9,570,732
Hybrid	5,104,720	--	--	5,104,720
Private equity fund of funds	2,444,876	--	--	2,444,876
Real assets	3,279,663	3,279,663	--	--
Buyout/growth	1,517,854	--	--	1,517,854
Mineral rights	165,000	--	--	165,000
Total	<u>\$ 120,617,956</u>	<u>\$ 33,517,490</u>	<u>\$ --</u>	<u>\$ 87,100,466</u>

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes the changes in assets classified in Level 3 for the year ended December 31, 2015. Gains and losses reported in this table may include changes in fair value that are attributable to both observable and unobservable inputs.

	Balance at December 31, 2014	Realized gains	Unrealized gains (losses)	Purchases	Distributions	Sales	Balance at December 31, 2015
Equities	\$ 28,628,049	\$ --	\$ 602,970	\$ --	\$ --	\$ --	\$ 29,231,019
Absolute return	39,669,235	819,781	(3,220,914)	--	--	(2,588,495)	34,679,607
Equity hedge	9,570,732	--	(49,152)	--	--	--	9,521,580
Hybrid	5,104,720	--	(365,022)	111,782	(1,172,755)	--	3,678,725
Private equity fund of funds	2,444,876	--	22,227	1,000,000	(630,239)	--	2,836,864
Buyout/growth	1,517,854	--	300,280	471,825	(125,170)	--	2,164,789
Mineral rights	165,000	--	--	--	--	--	165,000
Total	<u>\$ 87,100,466</u>	<u>\$ 819,781</u>	<u>\$ (2,709,611)</u>	<u>\$ 1,583,607</u>	<u>\$ (1,928,164)</u>	<u>\$ (2,588,495)</u>	<u>\$ 82,277,584</u>
Change in unrealized losses relating to instruments still held at December 31, 2015			<u>\$ (2,709,611)</u>				

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes the changes in assets classified in Level 3 for the year ended December 31, 2014. Gains and losses reported in this table may include changes in fair value that are attributable to both observable and unobservable inputs.

	Balance at December 31, 2013	Realized gains	Unrealized gains (losses)	Purchases	Distributions	Sales	Balance at December 31, 2014
Equities	\$ 33,004,224	\$ 2,638,520	\$ 985,305	\$ --	\$ --	\$ (8,000,000)	\$ 28,628,049
Absolute return	30,489,533	--	179,702	9,000,000	--	--	39,669,235
Equity hedge	8,556,949	--	1,013,783	--	--	--	9,570,732
Hybrid	6,878,844	301,184	(131,965)	541,426	(2,458,219)	(26,550)	5,104,720
Private equity fund of funds	2,478,419	--	50,319	480,000	(563,862)	--	2,444,876
Buyout/growth	1,119,142	--	(55,638)	524,250	(69,900)	--	1,517,854
Mineral rights	165,000	--	--	--	--	--	165,000
Total	<u>\$ 82,692,111</u>	<u>\$ 2,939,704</u>	<u>\$ 2,041,506</u>	<u>\$ 10,545,676</u>	<u>\$ (3,091,981)</u>	<u>\$ (8,026,550)</u>	<u>\$ 87,100,466</u>

Change in unrealized gains relating to
instruments still held at December 31, 2014

\$ 2,041,506

The Foundation's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer. The Foundation had no transfers into or out of levels of the fair value hierarchy during the years ended December 31, 2015 and 2014.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth additional disclosures of the Foundation's investments whose fair value is estimated using net asset value per share or ownership percentage as of December 31, 2015.

	Total Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities:				
Generation IM Fund PLC	\$ 19,413,220	\$ --	Quarterly ^(a)	30 days
Acacia Conservation Fund (Offshore), Ltd.	6,851,032	--	Semi-annually	30 days
WGI Emerging Markets Fund, LLC	<u>2,966,767</u>	<u>--</u>	Monthly	30 days
	<u>29,231,019</u>	<u>--</u>		
Absolute Return:				
Canyon Value Realization Fund (Cayman), Ltd.	7,659,720	--	Quarterly	60 days
Fir Tree International Value Fund, Ltd.	6,730,589	--	Bi-annually ^(e)	90 days ^(e)
Aurelius Capital International, Ltd.	6,165,702	--	Semi-annually	65 days
Centerbridge Credit Partners TE, L.P.	5,897,391	--	Annually ^(c)	90 days
Eton Park Overseas Fund, Ltd.	4,676,168	--	Quarterly ^(d)	65 days ^(d)
Luxor Capital Partners Offshore, Ltd.	<u>3,550,037</u>	<u>--</u>	Biennial	90 days
	<u>34,679,607</u>	<u>--</u>		
Equity Hedge:				
Steadfast International, Ltd.	<u>9,521,580</u>	<u>--</u>	Quarterly ^(b)	60 days
Hybrid:				
Fortress Credit Opportunities Fund II (B), L.P.	2,058,343	549,139	None	None
Mount Kellett Capital Partners (Cayman), L.P.	888,144	--	None	None
Mount Kellett Capital Partners (Cayman) II, L.P.	<u>732,238</u>	<u>46,436</u>	None	None
	<u>3,678,725</u>	<u>595,575</u>		
Private Equity Fund of Funds:				
HCP Private Equity Fund VI (Cayman), L.P.	1,479,321	2,320,000	None	None
Legacy Venture II, LLC	<u>1,357,543</u>	<u>90,000</u>	None	None
	<u>2,836,864</u>	<u>2,410,000</u>		
Buyout/Growth:				
Oaktree European Principal Fund III (U.S.), L.P.	<u>2,164,789</u>	<u>401,925</u>	None	None
Total	<u>\$ 82,112,584</u>	<u>\$ 3,407,500</u>		

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

- (a) Redemption provision includes a 1% early withdrawal penalty prior to the third anniversary of contribution.
- (b) Investment includes two tiers: redemption frequency on the first tier is as of the first year anniversary of contribution and quarterly thereafter. The redemption frequency on the second tier is tri-annually as of the anniversary of contribution with 60 days' notice. Up to 10% of the investment may be withdrawn annually on March 1st.
- (c) Redemption frequency is annually on the anniversary of contribution. The redemption provision includes a two-year lock on 50% of the investment with a rolling two-year lock thereafter. There is also a three-year lock on the remaining 50% with a two-year rolling lock thereafter.
- (d) Redemption frequency is quarterly on quarter-end of the anniversary of contribution. One-third of the capital is available annually after expiration of the initial lock-up period with a three-year rolling lock thereafter. The redemption notice period is 65 days for 20% of capital quarterly. Full redemption is to be processed over the course of seven consecutive quarters.
- (e) Investment includes two tiers: redemption frequency on the first tier is as of each two-year anniversary of contribution with 60 days' notice. The redemption frequency on the second tier is as of each two-year anniversary of contribution with 90 days' notice. Ten percent of the capital available on December 31st of the previous year is available with 90 days' notice.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth additional disclosures of the Foundation's investments whose fair value is estimated using net asset value per share or ownership percentage as of December 31, 2014.

	Total Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities:				
Generation IM Fund PLC	\$ 18,478,058	\$ --	Quarterly ^(a)	30 days
Acacia Conservation Fund (Offshore), Ltd.	6,597,897	--	Semi-annually	30 days
WGI Emerging Markets Fund, LLC	<u>3,552,094</u>	<u>--</u>	Monthly	30 days
	<u>28,628,049</u>	<u>--</u>		
Absolute Return:				
Canyon Value Realization Fund (Cayman), Ltd.	7,873,543	--	Quarterly	60 days
Fir Tree International Value Fund, Ltd.	7,386,180	--	Bi-annually ^(e)	90 days ^(e)
Aurelius Capital International, Ltd.	6,406,726	--	Semi-annually	65 days
Centerbridge Credit Partners TE, L.P.	6,677,511	--	Annually ^(c)	90 days
Eton Park Overseas Fund, Ltd.	6,853,701	--	Quarterly ^(d)	65 days ^(d)
Luxor Capital Partners Offshore, Ltd.	<u>4,471,574</u>	<u>--</u>	Biennial	90 days
	<u>39,669,235</u>	<u>--</u>		
Equity Hedge:				
Steadfast International, Ltd.	<u>9,570,732</u>	<u>--</u>	Quarterly ^(b)	60 days
Hybrid:				
Fortress Credit Opportunities Fund II (B), L.P.	2,370,442	774,146	None	None
Mount Kellett Capital Partners (Cayman), L.P.	1,685,277	--	None	None
Mount Kellett Capital Partners (Cayman) II, L.P.	<u>1,049,001</u>	<u>58,096</u>	None	None
	<u>5,104,720</u>	<u>832,242</u>		
Private Equity Fund of Funds:				
HCP Private Equity Fund VI (Cayman), L.P.	526,106	3,320,000	None	None
Legacy Venture II, LLC	<u>1,918,770</u>	<u>90,000</u>	None	None
	<u>2,444,876</u>	<u>3,410,000</u>		
Buyout/Growth:				
Oaktree European Principal Fund III (U.S.), L.P.	<u>1,517,854</u>	<u>873,750</u>	None	None
Total	<u>\$ 86,935,466</u>	<u>\$ 5,115,992</u>		

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

- (a) Redemption provision includes a 1% early withdrawal penalty prior to the third anniversary of contribution.
- (b) Investment includes two tiers: redemption frequency on the first tier is as of the first year anniversary of contribution and quarterly thereafter. The redemption frequency on the second tier is tri-annually as of the anniversary of contribution with 60 days' notice. Up to 10% of the investment may be withdrawn annually on March 1st.
- (c) Redemption frequency is annually on the anniversary of contribution. The redemption provision includes a two-year lock on 50% of the investment with a rolling two-year lock thereafter. There is also a three-year lock on the remaining 50% with a two-year rolling lock thereafter.
- (d) Redemption frequency is quarterly on quarter-end of the anniversary of contribution. One-third of the capital is available annually after expiration of the initial lock-up period with a three-year rolling lock thereafter. The redemption notice period is 65 days for 20% of capital quarterly. Full redemption is to be processed over the course of seven consecutive quarters.
- (e) Investment includes two tiers: redemption frequency on the first tier is as of each two-year anniversary of contribution with 60 days' notice. The redemption frequency on the second tier is as of each two-year anniversary of contribution with 90 days' notice. Ten percent of the capital available on December 31st of the previous year is available with 90 days' notice.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 3 - INVESTMENTS

Investments consist of the following at December 31:

	2015	2014
Equities:		
Generation IM Fund PLC	\$ 19,413,220	\$ 18,478,058
Dodge & Cox Global Stock Fund	7,254,637	7,889,391
Acacia Conservation Fund (Offshore), Ltd.	6,851,032	6,597,897
WGI Emerging Markets Fund, LLC	2,966,767	3,552,094
Longleaf Partners Funds	--	4,217,826
	<u>36,485,656</u>	<u>40,735,266</u>
Absolute Return:		
Canyon Value Realization Fund (Cayman), Ltd.	7,659,720	7,873,543
Fir Tree International Value Fund, Ltd.	6,730,589	7,386,180
Aurelius Capital International, Ltd.	6,165,702	6,406,726
Centerbridge Credit Partners TE, L.P.	5,897,391	6,677,511
Eton Park Overseas Fund, Ltd.	4,676,168	6,853,701
Luxor Capital Partners Offshore, Ltd.	3,550,037	4,471,574
	<u>34,679,607</u>	<u>39,669,235</u>
Fixed Income Funds:		
Vanguard Short-Term Investment-Grade Fund	18,373,007	18,130,610
Equity Hedge:		
Steadfast International, Ltd.	9,521,580	9,570,732
Hybrid:		
Fortress Credit Opportunities Fund II (B), L.P.	2,058,343	2,370,442
Mount Kellett Capital Partners (Cayman), L.P.	888,144	1,685,277
Mount Kellet Capital Partners (Cayman) II, L.P.	732,238	1,049,001
	<u>3,678,725</u>	<u>5,104,720</u>
Real Assets:		
Van Eck Global Hard Assets Fund	2,191,436	3,279,663

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 3 - INVESTMENTS (CONTINUED)

	2015	2014
Private Equity Fund of Funds:		
HCP Private Equity Fund VI (Cayman), L.P.	\$ 1,479,321	\$ 526,106
Legacy Venture II, LLC	<u>1,357,543</u>	<u>1,918,770</u>
	<u>2,836,864</u>	<u>2,444,876</u>
Buyout/Growth:		
Oaktree European Principal Fund III (U.S.), L.P.	<u>2,164,789</u>	<u>1,517,854</u>
Mineral rights	<u>165,000</u>	<u>165,000</u>
Total	<u><u>\$ 110,096,664</u></u>	<u><u>\$ 120,617,956</u></u>

At December 31, 2015, the Foundation had commitments outstanding to the following security investments, for which the Foundation had yet to be called upon for its full commitment at and through December 31, 2015:

- Fortress Credit Opportunities Fund II (B), L.P., a limited partnership, which invests in a range of distressed and undervalued credit investments primarily in North America and Western Europe. The Foundation is committed to invest \$3,500,000 to be called upon by the limited partnership, and through December 31, 2015 had invested \$2,950,861.
- Legacy Venture II, LLC, a limited liability company, which was formed to provide superior long-term investment returns and to encourage its members that all of the proceeds be given by them to their designated charities. The Foundation is committed to invest \$3,000,000 to be called upon by the limited liability company, and through December 31, 2015 had invested \$2,910,000.
- Mount Kellet Capital Partners (Cayman) II, L.P., a limited partnership, which focuses on making opportunistic investments in the debt and equity of private and public companies, bank loans and bonds, distressed and stressed investments, including control positions, portfolios of consumer receivables, mortgage loans, real estate and real estate related securities. The Foundation is committed to invest \$2,000,000 to be called upon by the limited partnership, and through December 31, 2015 had invested \$1,953,564.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 3 - INVESTMENTS (CONTINUED)

- Oaktree European Principal Fund III (U.S.), L.P., a limited partnership, which operates solely as a “feeder fund” to the “master fund” which invests in publicly traded or privately placed debt securities and other obligations such as bank loans and participations, equipment trust certificates and trade credits, equity securities, and options and warrants. The Foundation is committed to invest \$2,330,000 to be called upon by the limited partnership, and through December 31, 2015 had invested \$1,928,075.
- HCP Private Equity Fund VI (Cayman), L.P., a limited partnership, invests substantially all of its assets in, and conducts its operations through, HCP Private Equity Fund VI, L.P., a private equity fund that has the same investment objective, which is to realize long-term capital appreciation in excess of the long-term returns by investing in portfolio funds, direct investments, and secondary investments. The Foundation is committed to invest \$4,000,000 to be called upon by the limited partnership, and through December 31, 2015 had invested \$1,680,000.

During the years ended December 31, 2015 and 2014, there were no investments for which the Foundation was fully called upon for its commitment.

NOTE 4 - NOTES RECEIVABLE

Notes receivable are comprised of the following:

- A \$5,500,000 note issued in August 2001 secured by a first deed of trust relating to the sale of real property. The latest note amendment in June 2015 calls for repayment of principal due June 23, 2017 with interest payable quarterly at 4.00%.
- A \$1,000,000 program related investment loan, issued in September 2005, drawn down in three stages with the final draw in February 2008. The latest note amendment in February 2014 calls for repayment of principal due October 30, 2017 with interest to be accrued at 2.50% and repaid from the proceeds of a construction loan for the development of low income housing on the real property, which serves as security of the note. The principal amount outstanding at December 31, 2015, net of unamortized discount of \$14,833 (\$22,167 in 2014) at 0.75%, was \$985,167 (\$977,833 in 2014).
- A \$1,000,000 unsecured recoverable grant (a note receivable) issued in December 2006 that calls for repayment of principal due December 31, 2016 with interest payable annually at 2.50%. The principal amount outstanding at December 31, 2015, net of unamortized discount of \$0 (\$14,832 in 2014) at 0.75%, was \$1,000,000 (\$985,168 in 2014).

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4 - NOTES RECEIVABLE (CONTINUED)

- A \$1,045,037 secured installment note issued in February 2014 that calls for quarterly principal payments of \$52,252 plus interest at 2.50%. The final payment of principal and accrued interest is due on November 1, 2018. The principal amount outstanding at December 31, 2015 was \$627,022 (\$836,030 in 2014).
- A \$1,000,000 unsecured recoverable grant (a note receivable) issued in December 2014 that calls for repayment of principal due December 23, 2021 with interest payable annually at 2.50%. The principal amount outstanding at December 31, 2015, net of unamortized discount of \$43,842 (\$50,960 in 2014) at 0.75%, was \$956,158 (\$949,040 in 2014).

Payments on notes receivable are due as follows:

For the Years Ending December 31,	Amount
2016	\$ 1,209,007
2017	6,709,007
2018	209,008
2019	--
2020	--
Thereafter	<u>1,000,000</u>
	9,127,022
Present value discount	<u>(58,675)</u>
Total	<u>\$ 9,068,347</u>

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2015	2014
Office furniture and equipment	\$ 134,630	\$ 131,877
Computer equipment and software	56,740	69,953
Leasehold improvements	<u>22,259</u>	<u>22,259</u>
	213,629	224,089
Less accumulated depreciation	<u>(175,252)</u>	<u>(183,077)</u>
Total	<u>\$ 38,377</u>	<u>\$ 41,012</u>

Depreciation expense for the years ended December 31, 2015 and 2014, was \$19,815 and \$19,577, respectively.

NOTE 6 - GAIN ON SALE OF PARTICIPATION RIGHTS

In 2002, the Foundation sold approximately 4,071 acres of unimproved real property in central Contra Costa County, California. In addition to a payment of \$12,720,000 received at that time, the Foundation received a participation right on approximately 21 acres on a portion of the commercially zoned property. The agreement states that if this commercially zoned portion of the property is sold to an outside third party, the Foundation will receive 80% of the purchase price on the first \$4 per square foot and 50% of the purchase price in excess of \$4 per square foot. During the year ended December 31, 2014, the owners of the land purchased a portion of the Foundation's participation rights in exchange for a note receivable of \$1,045,037 (Note 4). The Foundation continues to hold a participation right on approximately 30 acres of land.

NOTE 7 - FEDERAL EXCISE TAX

The Foundation is subject to federal excise taxes at a rate of 2% for the years ended December 31, 2015 and 2014 on its net investment income. The Foundation pays estimated federal excise taxes during the year at the 2% rate. Deferred excise taxes arise primarily from the difference in the tax accounting basis of investments and this temporary difference is provided at the 2% tax rate. For the years ended December 31, 2015 and 2014, the change in deferred excise taxes is due to the net market changes in investments. The deferred excise tax liability represents the tax outcome should all the investments be sold.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 7 - FEDERAL EXCISE TAX (CONTINUED)

The components of the federal excise tax expense are as follows:

	2015	2014
Current federal excise taxes	\$ 172,000	\$ 85,000
Deferred federal excise taxes	<u>(125,000)</u>	<u>(40,000)</u>
Total	<u>\$ 47,000</u>	<u>\$ 45,000</u>

The Tax Reform Act of 1984 requires that certain minimum distributions be made in accordance with a specified formula. For the years ended December 31, 2015 and 2014, the Foundation made charitable distributions in excess of the required minimum. As of December 31, 2015, the Foundation has estimated carryforwards to meet future charitable distribution requirements which expire as follows:

For the Years Ending December 31,	Amount
2016	\$ 889,000
2017	--
2018	1,080,000
2019	<u>141,000</u>
Total	<u>\$ 2,110,000</u>

NOTE 8 - RETIREMENT PLANS

The Foundation has a defined contribution retirement plan (the Plan) established under IRC §403(b). All employees are eligible to participate in the Plan and make voluntary contributions by salary reductions to the Plan up to the limit allowed by the IRC.

The Foundation also has a money purchase pension plan and contributes up to 15% of each eligible employee's annual compensation following three months of service. For the years ended December 31, 2015 and 2014, the Foundation contributed \$150,240 and \$147,735, respectively, to the money purchase pension plan.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 9 - CONDITIONAL GRANTS

Conditional grants, which have not been recorded at December 31, 2015 and 2014, amounted to \$1,054,000 and \$477,000, respectively.

The conditions associated with these grants are expected to be satisfied and paid in the years ending December 31 as follows:

For the Years Ending December 31,	Amount
2016	\$ 694,500
2017	<u>359,500</u>
Total	<u><u>\$ 1,054,000</u></u>

NOTE 10 - RELATED PARTY TRANSACTIONS

Various members of the Board of Directors and employees of the Foundation are also board members or officers of organizations that have been awarded grants from the Foundation. For the year ended December 31, 2015, the Foundation paid \$89,650 to two organizations of which a Foundation board member or employee was also a board member or officer of the grantee. For the year ended December 31, 2014, the Foundation paid \$100,000 to two organizations of which a Foundation board member or employee was also a board member or officer of the grantee. The Foundation's board members and employees do not receive any compensation from grantees when serving as a board member or officer of the grantee. The Foundation's board members also recuse themselves from decisions to award grants to organizations on whose boards they serve.

The Foundation has a Conflict of Interest Policy, whereby directors and employees are expected to make full disclosure whenever a prospective grantee is one with which they have a close professional or family relationship, and they are expected to abstain from making decisions relating to that grantee. All members of the Board of Directors are prohibited from benefiting from any grants awarded by the Foundation.

The Foundation also has a matching grant policy that will match up to \$3 for every \$1 donated by directors or employees, up to a maximum of \$25,000 for each individual. For the years ended December 31, 2015 and 2014, the Foundation made matching grants of \$198,964 and \$185,987, respectively.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 10 - RELATED PARTY TRANSACTIONS (CONTINUED)

One member of the Foundation's Board of Directors also serves as a board member at an organization with whom the Foundation holds a note receivable. This individual does not receive any compensation from this organization when serving as a board member.

NOTE 11 - COMMITMENTS

During the year ended December 31, 2011, the Foundation entered into a lease agreement for new office space in San Francisco, California, with a monthly base rent ranging from \$11,506 to \$14,743. This lease commenced in December 2011 and expires in December 2021.

The minimum lease commitments for the years ending December 31, are as follows:

For the Years Ending December 31,	Amount
2016	\$ 155,340
2017	159,655
2018	163,970
2019	168,285
2020	172,600
Thereafter	<u>176,915</u>
Total	<u><u>\$ 996,765</u></u>

For the years ended December 31, 2015 and 2014, rent expense was \$151,824 and \$160,594, respectively.

The Foundation is also committed under various equipment lease agreements and contracts covering future periods, which collectively are not material to its financial position or results of its activities.

NOTE 12 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Noncash investing transactions for the year ended December 31, 2014, consist of an investment distribution related to the liquidation of HCP Credit Dislocation Fund. A total of \$26,550 is included in *other assets* and *realized gain on investments* in the statements of financial position and statements of activities and changes in net assets, respectively. This amount was received by the Foundation during the year ended December 31, 2015.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 13 - SUBSEQUENT EVENTS

The Foundation has evaluated all subsequent events through September 7, 2016, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements have been identified.