Report of Independent Auditors and
Consolidated Financial Statements for

Jewish Community Foundation of the Jewish Federation Council of Greater Los Angeles

December 31, 2016 and 2015

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of the
Jewish Community Foundation of the Jewish Federation Council of Greater Los Angeles:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Jewish Community Foundation of the Jewish Federation Council of Greater Los Angeles and its support foundations (the "Foundation"), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 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 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 Jewish Community Foundation of the Jewish Federation Council of Greater Los Angeles and its support foundations as of December 31, 2016, and changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MOSS ADAMS LLP

Other Matter

2015 Consolidated Financial Statements

The consolidated financial statements of Jewish Community Foundation of the Jewish Federation Council of Greater Los Angeles and its support foundations, as of and for the year ended December 31, 2015, were audited by other auditors whose report thereon, dated June 24, 2016 expressed an unmodified opinion.

Moss Adams LLP

Los Angeles, California
June 21, 2017

JEWISH COMMUNITY FOUNDATION OF
THE JEWISH FEDERATION COUNCIL OF GREATER LOS ANGELES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 146,590,000	$ 333,033,000
Other current assets, including due from brokers of $4,144,000 and $1,254,000 in 2016 and 2015	7,292,000	6,405,000
Total current assets	153,882,000	339,438,000
NONCURRENT ASSETS:		
Notes receivable, net	8,791,000	9,495,000
Investments		
Securities	545,672,000	301,178,000
Common Investment Pool	305,933,000	283,505,000
Strategic Return Fund	22,665,000	20,972,000
State of Israel bonds	4,858,000	4,468,000
Real estate	38,904,000	33,142,000
Partnership interests	10,039,000	10,192,000
Investments, subtotal	928,071,000	653,457,000
Other assets, net	3,003,000	3,484,000
Total assets	$ 1,093,747,000	$ 1,005,874,000
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Grant commitments	$ 38,194,000	$ 40,427,000
Other payables	1,421,000	1,395,000
Total current liabilities	39,615,000	41,822,000
NONCURRENT LIABILITIES		
Amounts held in custody for others	81,520,000	83,546,000
Amounts held with no variance power	48,444,000	48,910,000
Liabilities under split-interest agreements	2,122,000	2,298,000
Total liabilities	171,701,000	176,576,000
NET ASSETS		
Unrestricted		
Support Foundations	196,075,000	194,496,000
Donor Advised Funds	559,373,000	491,058,000
Permanent Legacy Fund	61,183,000	59,634,000
Total unrestricted	816,631,000	745,188,000
Temporarily restricted	65,870,000	44,725,000
Permanently restricted	39,545,000	39,385,000
Total net assets	922,046,000	829,298,000
Total liabilities and net assets	$ 1,093,747,000	$ 1,005,874,000

See accompanying notes.

JEWISH COMMUNITY FOUNDATION OF
THE JEWISH FEDERATION COUNCIL OF GREATER LOS ANGELES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and corpus gifts				
Public support and corpus gifts to:				
Support Foundations	$ 8,486,000	$ -	$ -	$ 8,486,000
Donor Advised Funds	104,115,000	-	-	104,115,000
Endowment and Other Funds	750,000	20,308,000	160,000	21,218,000
Total public support and corpus gifts	113,351,000	20,308,000	160,000	133,819,000
Revenue and gains				
Investment income, net	37,234,000	4,795,000	-	42,029,000
Partnership income	2,460,000	-	-	2,460,000
Other	481,000	-	-	481,000
Total revenue and gains	40,175,000	4,795,000	-	44,970,000
Net assets released from restrictions	3,958,000	(3,958,000)	-	-
Total public support, corpus gifts, revenue and gains	157,484,000	21,145,000	160,000	178,789,000
Distributions and expenses				
Grants and distributions from:				
Support Foundations	18,810,000	-	-	18,810,000
Donor Advised Funds	55,333,000	-	-	55,333,000
Endowment Funds	4,347,000	-	-	4,347,000
Management and general	7,551,000	-	-	7,551,000
Total distributions and expenses	86,041,000	-	-	86,041,000
Changes in net assets	71,443,000	21,145,000	160,000	92,748,000
Net assets, beginning of year	745,188,000	44,725,000	39,385,000	829,298,000
Net assets, end of year	$ 816,631,000	$ 65,870,000	$ 39,545,000	$ 922,046,000

JEWISH COMMUNITY FOUNDATION OF
THE JEWISH FEDERATION COUNCIL OF GREATER LOS ANGELES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support corpus gifts				
Public support and corpus gifts to:				
Support Foundations	$ 56,100,000	$ -	$ -	$ 56,100,000
Donor Advised Funds	68,348,000	-	-	68,348,000
Endowment and Other Funds	366,000	1,033,000	1,648,000	3,047,000
Total public support and corpus gifts	124,814,000	1,033,000	1,648,000	127,495,000
Revenue and losses				
Investment losses, net	(21,888,000)	(1,932,000)	-	(23,820,000)
Partnership income	5,615,000	-	-	5,615,000
Other	325,000	-	-	325,000
Total revenue and losses	(15,948,000)	(1,932,000)	-	(17,880,000)
Net assets released from restrictions	6,151,000	(6,151,000)	-	-
Total public support, corpus gifts, revenue and losses	115,017,000	(7,050,000)	1,648,000	109,615,000
Distributions and expenses				
Grants and distributions from:				
Support Foundations	42,284,000	-	-	42,284,000
Donor Advised Funds	60,554,000	-	-	60,554,000
Endowment Funds	4,424,000	-	-	4,424,000
Management and general	7,109,000	-	-	7,109,000
Total distributions and expenses	114,371,000	-	-	114,371,000
Changes in net assets	646,000	(7,050,000)	1,648,000	(4,756,000)
Net assets, beginning of year	744,542,000	51,775,000	37,737,000	834,054,000
Net assets, end of year	$ 745,188,000	$ 44,725,000	$ 39,385,000	$ 829,298,000

See accompanying notes.

JEWISH COMMUNITY FOUNDATION OF
THE JEWISH FEDERATION COUNCIL OF GREATER LOS ANGELES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 92,748,000	$ (4,756,000)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Noncash gifts	(23,939,000)	(74,094,000)
Contributions permanently restricted for long-term investment	(160,000)	(1,648,000)
Net realized & unrealized (gain) loss	(30,763,000)	31,628,000
Changes in operating assets and liabilities		
Other current assets	(887,000)	(1,843,000)
Other assets	243,000	(1,070,000)
Grant commitments	(2,233,000)	9,212,000
Other payables	26,000	373,000
Amounts held in custody for others	(5,102,000)	(5,995,000)
Amounts held with no variance power	(2,672,000)	2,300,000
Net cash provided by (used in) operating activities	27,261,000	(45,893,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections on notes receivable	704,000	129,000
Proceeds from sale of partnership interests	1,703,000	4,771,000
Proceeds from sale of investments	275,314,000	383,953,000
Purchase of investments	(491,409,000)	(343,990,000)
Net cash (used in) provided by investing activities	(213,688,000)	44,863,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions permanently restricted for long-term investment	160,000	1,648,000
Increase in liabilities under charitable remainder trusts and gift annuities	(176,000)	294,000
Net cash (used in) provided by financing activities	(16,000)	1,942,000
Net (decrease) increase in cash and cash equivalents	(186,443,000)	912,000
Cash and cash equivalents, beginning of year	333,033,000	332,121,000
Cash and cash equivalents, end of year	$ 146,590,000	$ 333,033,000
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash gifts	$ 48,960,000	$ 74,094,000

See accompanying notes.

Note 1 – Nature of Operations

The Jewish Community Foundation of the Jewish Federation Council of Greater Los Angeles (the "Foundation") is a California nonprofit corporation organized solely for charitable purposes. The sole member of the Foundation is the Jewish Federation Council of Greater Los Angeles ("JFC"). The accompanying consolidated financial statements do not include the accounts of JFC in as much as it is the intent of their respective Boards of Trustees and Directors to operate the Foundation and JFC independently of one another.

The Foundation maintains the books and records for nearly forty active Support Foundations and these Support Foundations are consolidated with the Foundation for reporting purposes. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. The Foundation and its Support Foundations are collectively referred to herein as the Foundation.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The accompanying consolidated financial statements are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and in accordance with the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*, which requires the Company to classify its net assets into the following three categories according to donor-imposed restrictions or provisions of law:

- "Permanently Restricted Net Assets" – the part of the net assets of the Foundation resulting from (a) contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation, and (b) reclassifications from (to) other classes of net assets as a consequence of donor-imposed stipulations. Permanently restricted net assets are endowments held in perpetuity.

- "Temporarily Restricted Net Assets" – the part of the net assets of the Foundation resulting from (a) 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, and (b) reclassifications to (from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Foundation pursuant to those stipulations.

- "Unrestricted Net Assets" – the part of the net assets of the Foundation that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. 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.

Note 2 – Summary of Significant Accounting Policies (continued)

The Foundation has three categories of unrestricted net assets: Support Foundations, Donor Advised Funds, and the Permanent Legacy Fund.

Support Foundations (Note 9) are separate, non-profit, charitable corporations funded and named by the donor that support the broad charitable purposes of the Foundation. All grants are approved by the Board of Directors of the respective Support Foundation, which includes a majority of Foundation appointed members and a minority of family appointed members, and are made in the name of the Support Foundation.

Donor Advised Funds are unrestricted gifts to the Foundation where the donor retains the right to recommend grants to organizations that support the broad charitable purposes of the Foundation.

The Permanent Legacy Fund represents unrestricted bequests and contributions received by the Foundation. Annually, the Board of the Foundation makes grants, according to grant making guidelines, of the spending amount calculated per Board-adopted spending policies.

All dollar amounts are rounded to the nearest thousand.

Cash and cash equivalents – Cash and cash equivalents include cash on hand and investments with original maturities at purchase date of three months or less. The underlying collateral for repurchase agreements mainly consists of U.S. Treasury bills. The carrying value approximates fair value because of the short maturity of those instruments.

Bequests – The Foundation has been named as beneficiary in numerous wills. Such bequests are not recognized as public support by the Foundation until the earlier of receipt of the assets or confirmation that they are irrevocable.

Grant commitments – Approved grant commitments are grants that have been approved by the Board of Trustees for a specific program or project; those for which the Board of Trustees, through its by-laws, has approved the type of grant, but the specific program or project is yet to be determined; or those grants required by law to be distributed by March 15 of the following year.

Investments – Investments consist of money market funds; mutual funds (including fixed income and equity funds); U.S. and international common and preferred stock; U.S. government, municipal, corporate, and international bonds; and other holdings, comprised of non-publicly traded investments (alternative investments). Marketable securities and alternative investments are reported at fair value under a hierarchy which prioritizes the inputs in fair value measurements.

Note 2 – Summary of Significant Accounting Policies (continued)

The Foundation's investments in mutual funds are valued at the net asset value of shares held. In general, there are no restrictions as to the redemption of these funds, nor does the Foundation have any contractual obligations to further invest in any of these funds. In addition, these funds have daily or monthly liquidity with trades settling between one and three days. Investments in common stock are valued using quoted market prices reported on the active market upon which the individual securities are traded. The fair value of the fixed income securities is determined based on valuations provided by independent pricing services, which use multiple valuation techniques that incorporate available market information and proprietary valuation models, which consider market characteristics, such as benchmark yield curve, credit spreads, estimated default rates and other security features.

Dividend and interest income and gains and losses on investments are reported in the consolidated statements of activities and changes in net assets as either increases or decreases in unrestricted net assets unless their use is temporarily restricted by donor stipulations or by law.

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

Alternative investments include hedge funds, private equity investments, and other limited partnership interests such as real estate partnerships. The Foundation also considers inflation-hedging investments such as commodities and infrastructure-related investments to be alternative investments due to their low correlation with other investment asset classes. Investments that are not readily marketable are carried at fair value which is determined in good faith by the Foundation, based on relevant factors such as the most recent communications with the companies' management and/or representatives.

The Foundation adopted the accounting standards update which, as a practical expedient, removes the requirement to categorize investments measured using the net asset value (NAV) per share/unit within level I, II, or III of the fair value hierarchy. This update has been applied retrospectively and prior-year disclosures have been revised accordingly. The Foundation uses NAV as a practical expedient to determine the fair value of those underlying investments which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. If the NAV of the investment obtained from the investee fund manager is not as of the Foundation's measurement date or is not calculated in a manner consistent with the specialized accounting guidance for investment companies, the Foundation considers whether an adjustment to the most recent NAV is necessary. Because of the inherent uncertainty of valuations, these amounts may differ materially from values that would be realized if the investments were sold.

Note 2 – Summary of Significant Accounting Policies (continued)

Net changes in unrealized gains (losses) on alternative investments are reported in net realized and unrealized gain (loss) on investments in the consolidated statements of activities and changes in net assets.

Amounts held in custody for others – Amounts held in custody for others represents resources received from nonprofit organizations that desire to have the Foundation provide investment management services for their endowment or reserve fund. A liability is recorded at the estimated fair value of assets deposited with the Foundation by nonprofit organizations. Assets are invested in the Common Investment Pool (see Note 3). At December 31, 2016 and 2015, the balance of the endowment fund of JFC, held custody by the Foundation, was $45,214,000 and $47,900,000, respectively.

Amounts held with no variance power – Amounts held with no variance power are resources received by the Foundation in which the Foundation does not have the unilateral power to direct the use of the money without the approval of the resource provider, such as when a contribution names a specific agency as beneficiary and does not give the Foundation the ability to change the beneficiary. Contributions for which the Foundation does not have variance power are shown as a liability in the consolidated statements of financial position.

Revenue recognition – Contributions are recognized as revenue when received or unconditionally promised. Unconditional promises to give that are expected to be collected in future years are recognized as contributions receivable when the promise is made at fair value based on discounted cash flows. Amortization of the discounts is included in contributions. Contributions of assets other than cash are recorded at their estimated fair value. Real estate contributed is recorded at fair value using a current appraisal on the date of the gift and is generally made available for sale as soon as practicable. Contributions of public stock are recorded at the mean of the quoted market price on the date of receipt of donation. Conditional promises to give are not recorded until the conditions are substantially met. An allowance for estimated uncollectible contributions receivable will be recorded based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. Accounts are written off against the allowance when deemed uncollectible. Management has determined that no allowance for uncollectible contributions receivable is necessary as of December 31, 2016 and 2015.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States 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.

Note 2 – Summary of Significant Accounting Policies (continued)

Income taxes – The Foundation and its Support Foundations are exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California Revenue and Taxation Code sections. The Jewish Community Foundation – Charitable Fund is a private foundation, as defined by the Internal Revenue Code and consists of charitable directed funds that were an offering that are no longer available. Net investment income of the Charitable Fund is subject to a federal excise tax which has not been significant to the Foundation. The Foundation and its Support Foundations do not have any material uncertain tax positions. The Foundation and its Support Foundations file information organization returns in the United States federal jurisdiction and with the Franchise Tax Board in the State of California.

Concentration of credit risk – The Foundation maintains commercial accounts in various banks. Accounts at each bank are insured by the Federal Deposit Insurance Corporations ("FDIC") up to $250,000. At December 31, 2016 and 2015, the Foundation had amounts that were in excess of the FDIC insurance limits. The Foundation performs ongoing evaluations of commercial banks to limit its concentration credit risk exposure.

Subsequent events – The Foundation has evaluated subsequent events through June 21, 2017, the date the consolidated financial statements were issued.

Recent accounting pronouncements – In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"), which provides guidance on determining when and how to disclose going-concern uncertainties in the consolidated financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the consolidated financial statements are issued. An entity must provide certain disclosures if "conditions or events raise substantial doubt about [the] entity's ability to continue as a going concern." The ASU applies to all entities and is effective for the annual period ending after December 15, 2016, and annual periods and interim periods thereafter, with early adoption permitted. The Foundation adopted the guidance in the current fiscal year. The adoption did not have a material impact on the Foundation's consolidated financial statements.

Reclassifications – Certain reclassifications were made to the 2015 amounts to conform to the 2016 presentation.

Note 3 – Investments

ASC 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosure about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes how to measure fair value based on a three-level hierarchy of inputs, of which the first two are considered observable and the last unobservable.

Level I: Quoted prices in active markets for identical assets or liabilities.

Level II: Inputs other than Level I that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level III: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As discussed above, the Foundation adopted the accounting standards update which removes the requirement to categorize investments measured using NAV per share/unit within the fair value hierarchy. The following table presents the Foundation's valuation levels as of December 31, 2016:

	Level I	Level II	Level III	Assets Held at Net Asset Value (or Equivalent)	Total
Cash and cash equivalents	$ 33,267,000	$ -	$ -	$ -	$ 33,267,000
Equity					
Domestic	286,499,000	-	2,275,000	22,083,000	310,857,000
International	111,791,000	-	960,000	14,177,000	126,928,000
Fixed income					
Domestic	320,855,000	26,504,000	-	13,717,000	361,076,000
International	464,000	2,561,000	-	-	3,025,000
Alternative investments					
Hedge funds	-	-	-	7,632,000	7,632,000
Private equity	-	-	-	12,952,000	12,952,000
Inflation-hedging	17,788,000	-	-	-	17,788,000
Real estate partnerships	-	-	10,784,000	-	10,784,000
State of Israel bonds	-	4,858,000	-	-	4,858,000
Real estate	-	-	38,904,000	-	38,904,000
Total investments	$ 770,664,000	$ 33,923,000	$ 52,923,000	$ 70,561,000	$ 928,071,000

Note 3 – Investments (continued)

The following table presents the Foundation's valuation levels as of December 31, 2015:

	Level I	Level II	Level III	Assets Held at Net Asset Value (or Equivalent)	Total
Cash and cash equivalents	$ 12,154,000	$ -	$ -	$ -	$ 12,154,000
Equity					
Domestic	279,291,400	3,600	2,275,000	20,167,000	301,737,000
International	124,691,000	-	2,648,000	13,238,000	140,577,000
Fixed income					
Domestic	68,817,000	23,919,000	-	12,488,000	105,224,000
International	-	5,000	-	-	5,000
Alternative investments					
Hedge funds	-	-	-	16,794,000	16,794,000
Private equity	-	-	-	14,977,000	14,977,000
Inflation-hedging	13,838,000	-	-	-	13,838,000
Real estate partnerships	-	-	10,540,000	-	10,540,000
State of Israel bonds	-	4,469,000	-	-	4,469,000
Real estate	-	-	33,142,000	-	33,142,000
Total investments	$ 498,791,400	$ 28,396,600	$ 48,605,000	$ 77,664,000	$ 653,457,000

The investment goals of the Foundation are to maintain or grow its asset size and spending power in real (inflation-adjusted) terms with risk at a level appropriate to the Foundation's program objectives. The Foundation diversifies its investments among various financial instruments and asset categories, and uses multiple investment strategies. As a general practice, except for certain Support Foundations' holdings and government obligations, nearly all financial assets of the Foundation are managed by external investment management firms selected by the Foundation. All financial assets of the Foundation are held in custody by a major commercial bank, except for assets invested with partnerships, real estate, Israel bonds, notes receivable and trust deeds.

At December 31, 2016 and 2015, approximately 86% and 80%, respectively, of the Foundation's assets are invested in publicly traded equities and mutual funds, which are listed on national exchanges; Treasury and agency bonds of the U.S. government; and investment grade corporate bonds for which active trading markets exist. Net realized and unrealized gains and losses on investments are reflected in the consolidated statements of activities and changes in net assets.

The Foundation uses appraisals, discounted cash flow analysis, and comparable transaction multiples and/or comparable trading multiples, as appropriate, to estimate fair value of Level III investments. The Foundation establishes valuation processes and procedures to ensure that the valuation techniques for investments are fair, consistent and verifiable.

Note 3 – Investments (continued)

The following table summarizes the activity for the Foundation's Level III assets for the year ended December 31, 2016:

	Balance at 12/31/2015	Realized & Unrealized Gains (Losses)	Purchases & Contributions	Sales & Distributions	Net Transfers In (Out) of Level III	Balance at 12/31/2016
Equity						
Domestic	$ 2,275,000	$ -	$ -	$ -	$ -	$ 2,275,000
International	2,648,000	-	-	(1,688,000)	-	960,000
Alternative investments						
Real estate partnerships	10,540,000	(12,000)	920,000	(664,000)	-	10,784,000
Real estate	33,142,000	-	5,762,000	-	-	38,904,000
	$ 48,605,000	$ (12,000)	$ 6,682,000	$ (2,352,000)	$ -	$ 52,923,000

The following table summarizes the activity for the Foundation's Level III assets for the year ended December 31, 2015:

	Balance at 12/31/2014	Realized & Unrealized Gains (Losses)	Purchases & Contributions	Sales & Distributions	Net Transfers In (Out) of Level III	Balance at 12/31/2015
Equity						
Domestic	$ 2,275,000	$ -	$ -	$ -	$ -	$ 2,275,000
International	1,021,000	1,127,000	500,000	-	-	2,648,000
Alternative investments						
Real estate partnerships	9,950,000	-	2,049,000	(1,459,000)	-	10,540,000
Real estate	30,113,000	3,029,000	-	-	-	33,142,000
	$ 43,359,000	$ 4,156,000	$ 2,549,000	$ (1,459,000)	$ -	$ 48,605,000

Note 3 – Investments (continued)

The following table includes quantitative information about Level III investments included in the preceding tables, including the range of significant unobservable inputs used in the fair value measurement:

	Fair Value	Valuation Techniques	Unobservable Inputs	Range
Domestic and International equity	$ 2,275,000	Discounted cash flow	Discount Rate	39%
			Annual Sales Growth	20%
		Sales comparison	Market comparable rates	N/A*
International equity	960,000	Company Valuation or Market Comparables	Company Financials or General Partners' Estimates	N/A*
Real estate partnerships	10,784,000	Income approach	Long-term occupancy rate	N/A*
			Market comparable rate	N/A*
			Capitalization rate	N/A*
Real estate	38,904,000	Income approach	Long-term occupancy rate	94%
			Market comparable rate	$0.49 to $0.55 per sq. ft per month
			Capitalization rate	6.25%
		Sales comparison	Market comparable rates	N/A*

*Not included due to the wide range of possible values given the diverse nature of underlying investments.

The following table summarizes characteristics of the Foundation's NAV assets at December 31, 2016:

	Strategy	NAV in Funds	# of Funds	Remaining Life	Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions
Domestic equity	Long-short US equity fund	$ 22,083,000	1	N/A	None	None	Annual 60 days notice	20% fund level gate
International equity	Long-only international equity fund	14,177,000	1	N/A	None	None	Monthly 10 days notice	N/A
Fixed income	High-yield, credit, and multi-strategy funds	13,717,000	3	N/A	None	None	Quarterly to 18 months 60 to 90 days notice	N/A
Hedge funds	Long-short and multi-strategy funds	7,632,000	10	N/A	None	None	Monthly to Quarterly 45 to 60 days notice	20% fund level gate
Private equity	Opportunistic real estate and US/international funds of funds	12,952,000	10	Through 2024	$ 2,392,000	2024	Cannot Redeem	Cannot Redeem
Total		$ 70,561,000	25		$ 2,392,000			

Note 3 – Investments (continued)

Although the Foundation uses its best judgment in estimating the fair value of investments, there are inherent limitations in any estimation technique. Therefore, the values presented herein are not necessarily indicative of the amount that the Foundation could realize in a current transaction. Future confirming events could affect the estimates of fair value and could be material to the consolidated financial statements. These events could also affect the amount realized upon liquidation of the investments.

The gain (loss) on the Foundation's investment portfolio consists of the following for the years ending December 31:

	2016	2015
Interest and dividends	$ 11,266,000	$ 7,808,000
Realized and unrealized gains	30,763,000	(31,628,000)
	$ 42,029,000	$ (23,820,000)
Related expenses	$ 2,110,000	$ 1,882,000

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of the Foundation's investments and total net assets balance could fluctuate materially.

The Common Investment Pool ("CIP") serves as an investment pool for endowment funds, Support Foundations, and funds held in custody for charitable or educational organizations. The investment pool is operated using the net asset value method. Net investment income and net realized and unrealized gains (losses) on investments are allocated to each participant in the pool at the end of each quarter based on each participant's share of the investments in the pool. The Strategic Return Fund is an investment pool available for Donor Advised Funds with an investment strategy similar to the CIP but with monthly liquidity.

The investment gain (loss) for the CIP, Strategic Return Fund, and other investments are presented below as of December 31:

	2016	2015
Common Investment Pool	$ 9,676,000	$ (3,254,000)
Strategic Return Fund	1,344,000	(977,000)
Other investments	31,009,000	(19,589,000)
	$ 42,029,000	$ (23,820,000)

Note 3 – Investments (continued)

The investments in the CIP are evaluated and managed by third-party investment companies under the monitoring and direction of the Foundation's Investment Committee. The composition of the CIP at fair value is as follows at December 31:

	2016	2015
Equities		
Domestic	$ 116,802,000	$ 99,178,000
International	58,658,000	66,392,000
Fixed income	95,213,000	73,858,000
Alternatives		
Hedge funds	6,321,000	16,794,000
Private equity	12,439,000	14,340,000
Inflation-hedging	16,500,000	12,943,000
Total	$ 305,933,000	$ 283,505,000

Note 4 – Notes Receivable

At December 31, 2016 and 2015, notes receivable consist primarily of loans made to private and public corporations, religious organizations and individuals, with annual interest rates ranging from 4.75% to 6.75%. The notes mature in 2021 and later and include both secured and unsecured notes. Interest is paid monthly or quarterly, depending on the note. Principal payments due on notes receivable during each of the five years subsequent to year-end are as follows at December 31:

2017	$ -
2018	-
2019	-
2020	-
2021 and after	8,791,000
	$ 8,791,000

Note 5 – Retirement Benefits (unaudited)

Retirement benefits are provided for substantially all employees hired before January 1, 2006 through the Basic Pension Plan for Employees of the JFC (the "Plan"), a multi-employer pension plan. The risks of participating in multi-employer plans are different from single-employer plans in the following respects:

Note 5 – Retirement Benefits (unaudited) (continued)

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the multi-employer plan, the unfunded obligations of the plan may become the responsibility of the remaining participating employers.
- If the Foundation chooses to stop participating in the multi-employer plan, the Foundation may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The JFC is the Plan administrator of the Basic Pension Plan (plan number 001), a multi-employer pension plan. The Foundation is one of the participating members registered under the Employer Identification Number 95-1643388. The Plan is made up of two components: a defined benefit component and an employee contribution component. The Plan is subject to a collective bargaining agreement which expires on June 30, 2019.

The actuarial value of the Plan's assets and accrued liabilities, as reported in the annual certification submitted to the Secretary of the Treasury by the Plan's actuary, as of December 31, 2016 and 2015 are listed below. In addition, the Plan's funded percentage and the interest rate used in the accrued liability calculation are listed below. The plan is "not endangered" (as defined by the IRS), also known as the "green zone," because the Plan's funded percentages were more than 80% for the plan years beginning January 1, 2016 and 2015, and because the Plan met other funding criteria. The figures reported in the annual certification, summarized below, are not audited.

	2016	2015
Actuarial value of assets	$ 115,604,000	$ 102,256,000
Actuarial accrued liabilities	127,066,000	123,110,000
Funded percentage	90.90%	83.06%
Valuation interest rate	7.50%	7.50%

Charges to current year expense for the Foundation's share of the pension contributions were $496,000 and $475,000 for the years ended December 31, 2016 and 2015, respectively, and are included in management and general expenses in the consolidated statements of activities. The Foundation was listed in its plan's Form 5500 as providing more than 5 percent of the total contributions in the plan years ending December 31, 2015 and 2014.

Employees hired on or after January 1, 2006 are eligible for a defined contribution plan. The Foundation makes a contribution based on 5% of eligible compensation for participants who have served more than one year of eligible service. Participants are fully vested after three years. The Foundation contributed $68,000 and $62,000 for the years ended December 31, 2016 and 2015, respectively, to the defined contribution plan.

Note 6 – Split-Interest Agreements

The Foundation is a beneficiary of split-interest agreements. The total liability at December 31, 2016 and 2015 of $2,122,000 and $2,298,000, respectively, is calculated by discounting the present value of estimated future distributions to the annuitants. The reserve amount is based upon the most current Annuity Mortality Table from the State of California Department of Insurance on the date of the Agreement and the range of discount rates for the existing agreements is 2% to 6%. The liability is classified as Level III in the fair value hierarchy.

Note 7 – Spending Rate

Consistent with the policy of maintaining the purchasing power of the Permanent Legacy Fund ("PLF") and other endowment funds, the Board of Trustees has approved a spending rate of 5% of the average market value of the most recent five years. If the current yield is insufficient to provide the full amount of the 5% spending rate, the balance to be expended may be appropriated from accumulated realized and unrealized gains of these assets.

Note 8 – Endowments

The Foundation's endowment consists of approximately 45 donor-restricted endowment funds in addition to the PLF. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment funds are invested in the Common Investment Pool with the goal of meeting the Foundation's spending policy (see Notes 3 and 7).

The Board of Trustees of the Foundation has determined that a portion of the Foundation's net assets meet the definition of endowment under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as adopted by the state of California as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

Note 8 – Endowments (continued)

1) The duration and preservation of the fund;
2) The purposes of the Foundation and the donor-restricted endowment fund;
3) General economic conditions;
4) The possible effect of inflation and deflation;
5) The expected total return from income and the appreciation of investments;
6) Other resources of the organization; and
7) The investment policies of the Foundation.

The following table presents the Foundation's endowment composition, changes, and net asset classifications for the years ended December 31, 2016 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, 1/1/2015	$ 63,092,000	$ 22,706,000	$ 37,737,000	$ 123,535,000
Investment return:				
Investment income	509,000	302,000	-	811,000
Net depreciation (realized and unrealized)	(1,644,000)	(1,184,000)	-	(2,828,000)
Total investment return	(1,135,000)	(882,000)	-	(2,017,000)
Gifts	411,000	-	1,648,000	2,059,000
Appropriation of endowment assets for expenditure	(2,734,000)	(2,068,000)	-	(4,802,000)
Endowment net assets, 12/31/2015	$ 59,634,000	$ 19,756,000	$ 39,385,000	$ 118,775,000
Investment return:				
Investment income	567,000	325,000		892,000
Net appreciation (realized and unrealized)	3,173,000	2,258,000	-	5,431,000
Total investment return	3,740,000	2,583,000	-	6,323,000
Gifts	824,000	-	160,000	984,000
Appropriation of endowment assets for expenditure	(3,015,000)	(2,124,000)	-	(5,139,000)
Endowment net assets, 12/31/2016	$ 61,183,000	$ 20,215,000	$ 39,545,000	$ 120,943,000

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. There were no deficits of this nature reported in unrestricted net assets as of December 31, 2016 and 2015.

Note 9 – Support Foundations

The Foundation has nearly 40 qualifying Support Foundations. A Support Foundation is a separate not-for-profit corporation that exists to support the Foundation and those charitable organizations supported by the Foundation. Each foundation is a tax-exempt entity for both Federal and California tax purposes, and is classified as a public charity rather than as a private foundation.

The Support Foundations are controlled by the Foundation through the selection of a majority of the Board of Directors of the Support Foundation by the Foundation's Board of Trustees, as required by the Foundation in establishing a Support Foundation. Accordingly, the Support Foundations are consolidated with the Foundation and included in Unrestricted Net Assets.

Note 9 – Support Foundations (continued)

The following is a summary of the significant financial statement components of the Support Foundations as of December 31, 2016 and 2015 and for the years then ended:

	2016	2015
Assets		
Cash and cash equivalents	$ 17,095,000	$ 36,788,000
Common Investment Pool	28,048,000	23,774,000
Marketable securities	160,918,000	144,544,000
Strategic Return Fund	917,000	399,000
State of Israel bonds	672,000	632,000
Real estate	2,002,000	2,002,000
Notes receivable	2,531,000	2,531,000
Partnership interests	8,599,000	8,684,000
Other assets	356,000	1,026,000
Total assets	$ 221,138,000	$ 220,380,000
Total liabilities	$ 25,063,000	$ 25,884,000
Total net assets	196,075,000	194,496,000
Total liabilities and net assets	$ 221,138,000	$ 220,380,000
Donations and revenue		
Public support and corpus gifts	$ 8,486,000	$ 56,100,000
Investment income, net	12,750,000	6,893,000
Total donations and revenue	21,236,000	62,993,000
Distributions and expenses		
Grants and distributions	18,810,000	42,284,000
Management and general	847,000	723,000
Total distributions and expenses	19,657,000	43,007,000
Change in net assets	1,579,000	19,986,000
Net assets		
Beginning of year	194,496,000	174,510,000
End of year	$ 196,075,000	$ 194,496,000