The Joyce Foundation

Financial Statements
Years Ended December 31, 2014 and 2013

The Joyce Foundation

Financial Statements

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Contents

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Independent Auditor's Report

To the Board of Directors
The Joyce Foundation
Chicago, IL

We have audited the accompanying financial statements of The Joyce Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Joyce Foundation as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Chicago, Illinois
July 6, 2015

Financial Statements

The Joyce Foundation

Statements of Financial Position

December 31,	**2014**	2013
Assets		
Current Assets		
Cash	**$ 1,090,386**	$ 683,656
Due from brokers for sales of securities	**40,207**	2,756,858
Investments at fair value (Note 2)	**948,054,867**	930,571,814
Other assets	**2,280,156**	2,439,625
Total Assets	**$ 951,465,616**	$ 936,451,953
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	**$ 17,355**	$ 40,906
Due to brokers for purchases of securities	**298,174**	265,809
Grants payable	**13,014,422**	12,350,773
Deferred rent	**121,232**	89,327
Current federal excise tax payable	**143,636**	62,670
Deferred federal excise tax payable	**3,023,000**	3,498,000
	16,617,819	16,307,485
Commitments (Note 4)		
Net Assets		
Unrestricted	**934,847,797**	918,144,892
Temporarily restricted	**-**	1,999,576
Total Net Assets	**934,847,797**	920,144,468
Total Liabilities and Net Assets	**$ 951,465,616**	$ 936,451,953

See accompanying notes to financial statements.

The Joyce Foundation

Statements of Activities

Year ended December 31,	Unrestricted	Temporarily Restricted	2014 Total
Revenue			
Investment gains			
Net realized gains on investment transactions	$ 72,586,887	$ -	$ 72,586,887
Net unrealized depreciation of investments	(24,270,637)	-	(24,270,637)
Interest income	12,793	-	12,793
Dividend income	15,421,692	-	15,421,692
Other income	300,631	-	300,631
	64,051,366	-	64,051,366
Investment expenses	2,372,337	-	2,372,337
Net investment gains	61,679,029	-	61,679,029
Net assets released from restrictions	1,999,576	(1,999,576)	-
Total investment gains and other support	63,678,605	(1,999,576)	61,679,029
Expenses			
Grants awarded (grant payments made of $35,668,473)	36,423,678	-	36,423,678
Grants returned	(28,565)	-	(28,565)
Specific grants awarded (grant payments made of $1,955,556)	1,864,000	-	1,864,000
General and administrative expenses	7,479,511	-	7,479,511
Federal excise tax and unrelated business income tax expense	1,712,076	-	1,712,076
Deferred federal excise tax benefit	(475,000)	-	(475,000)
Total expenses	46,975,700	-	46,975,700
Increase (Decrease) in Net Assets	16,702,905	(1,999,576)	14,703,329
Net Assets, at beginning of year	918,144,892	1,999,576	920,144,468
Net Assets, at end of year	$ 934,847,797	$ -	$ 934,847,797

See accompanying notes to financial statements.

The Joyce Foundation

Statements of Activities

Year ended December 31,	Unrestricted	Temporarily Restricted	2013 Total
Revenue			
Investment gains			
Net realized gains on investment transactions	$ 63,009,126	$ -	$ 63,009,126
Net unrealized appreciation of investments	73,842,518	-	73,842,518
Interest income	1,491,149	-	1,491,149
Dividend income	10,509,401	-	10,509,401
Other income	467,490	-	467,490
	149,319,684	-	149,319,684
Investment expenses	2,209,264	-	2,209,264
Net investment gains	147,110,420	-	147,110,420
Net assets released from restrictions	2,018,480	(2,018,480)	-
Total investment gains and other support	149,128,900	(2,018,480)	147,110,420
Expenses			
Grants awarded (grant payments made of $33,155,237)	34,312,903	-	34,312,903
Grants returned	(171,719)	-	(171,719)
Specific grants awarded (grant payments made of $1,926,500)	1,034,033	-	1,034,033
General and administrative expenses	7,089,685	-	7,089,685
Federal excise tax and unrelated business income tax expense	907,717	-	907,717
Deferred federal excise tax expense	1,432,000	-	1,432,000
Total expenses	44,604,619	-	44,604,619
Increase (Decrease) in Net Assets	104,524,281	(2,018,480)	102,505,801
Net Assets, at beginning of year	813,620,611	4,018,056	817,638,667
Net Assets, at end of year	$ 918,144,892	$ 1,999,576	$ 920,144,468

See accompanying notes to financial statements.

The Joyce Foundation

Statements of Cash Flows

Year ended December 31,	**2014**	2013
Cash Flows From Operating Activities		
Increase in net assets	**$ 14,703,329**	$ 102,505,801
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized gains on investment transactions	**(72,586,887)**	(63,009,126)
Net unrealized depreciation (appreciation) of investments	**24,270,637**	(73,842,518)
Deferred federal excise tax (benefit) expense	**(475,000)**	1,432,000
Changes in		
Contribution receivable	**-**	2,000,000
Due to/from brokers for purchases/sales of securities	**2,749,016**	(2,520,113)
Other assets	**159,469**	(1,258,335)
Grants payable	**663,649**	265,199
Accounts payable and accrued expenses	**8,354**	109,786
Federal excise tax payable	**80,966**	(216,862)
Net cash used in operating activities	**(30,426,467)**	(34,534,168)
Cash Flows From Investing Activities		
Proceeds from investments	**183,201,154**	174,078,613
Purchases of investments	**(152,367,957)**	(139,475,006)
Net cash provided by investing activities	**30,833,197**	34,603,607
Increase in Cash	**406,730**	69,439
Cash, at beginning of year	**683,656**	614,217
Cash, at end of year	**$ 1,090,386**	$ 683,656
Supplemental Disclosure of Cash Flow Information		
Cash paid for excise taxes	**$ 1,700,000**	$ 1,175,000

See accompanying notes to financial statements.

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

The Joyce Foundation (the "Foundation") is a nonprofit organization that supports the development of policies that improve the quality of life for people in the Great Lakes region.

The financial statements have been prepared in conformity with accounting policies applicable to nonprofit organizations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions affecting the amounts reported in the financial statements and accompanying notes. Actual results could differ from the estimates.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. However, as a private charitable foundation, it is subject to a federal excise tax based on net investment income. Deferred federal excise tax represents a provision for taxes on the net unrealized appreciation on investments, using a rate of 2%. The Foundation is subject to income tax at corporate rates on certain income that is considered unrelated business income under the Internal Revenue Code.

Uncertainty in Income Taxes

Tax positions for open tax years were reviewed, and it was determined that no provision for uncertain tax positions is required to be recorded. The Foundation is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for years going back to 2011. The Foundation would recognize any corresponding interest or penalties associated with this income tax position in income tax expense. There was no corresponding interest or penalties incurred for 2014 or 2013.

Investment Valuation and Income Recognition

The investments of the Foundation are reported at fair value. The fair value of a financial instrument is the amount 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 exit price). The fair value is generally based on year-end published quotations or the net asset value ("NAV") of investment funds. The Foundation is permitted to measure the fair value of an investment that does not have a readily determinable fair value, based on the NAV of the investment as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a value significantly different from the NAV. If the practical expedient NAV is not as of the reporting entity's measurement date, then the NAV is adjusted to reflect any significant events that may change the valuation. These prices are only used for financial reporting purposes and do not necessarily represent the ultimate realizable values of such securities.

Cash, securities transactions receivable, and obligations are carried at cost which approximates fair value because of the short maturity of these instruments.

Marketable securities, including cash equivalents, U.S. and non-U.S. equities and fixed income, are reflected at market values based on quoted prices. Common stock, preferred stock, fixed income securities including U.S. government and corporate obligations, options and futures traded in active markets on national and international securities exchanges are valued at closing prices on the last business day of each period presented. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using the Foundation's investment managers' best estimates. In general, corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Investments in U.S. government bonds are estimated using best available trade data.

Limited liquidity investments (primarily categorized as "alternative investments" – see Note 2) are stated at estimated fair value. Limited liquidity investments are primarily made under agreements to participate in limited partnerships and commingled funds and are generally subject to certain withdrawal restrictions. These interests are valued on the basis of the Foundation's equity in the net assets of such investments. Values for these investments, which may include investments in both nonmarketable and market-traded securities, are provided by the general partner or administrator and may be based on appraisals, market values discounted for concentration of ownership, or other estimates. Because of inherent uncertainty of valuing the investments in such partnerships and certain of the underlying investments held by the partnerships and commingled funds, the Foundation's estimate of fair value may differ significantly from the values that would have been used had a ready market for the investments existed. The financial statements of the Foundation's limited liquidity investments are audited annually by independent public accounting firms.

Some of the Foundation's assets are held in various limited partnerships that invest in the securities of companies that may not be immediately liquid. The partnerships' general partners, who must follow the valuation guidelines stipulated in their respective limited partnership agreements, determine the value of such investments. Given the inherent risks associated with this type of investment, there can be no guarantee that there will not be widely varying gains or losses on these limited partnership investments in future periods.

The Foundation has systems and procedures in place to monitor the fair value of its Level 3 investments. Generally, management determines the fair value of Level 3 assets by using the net asset value provided by the investment managers or general partners through the monthly/quarterly statements and the respective fund's annual audited financial statements as well as a thorough review of the notes to the audited financial statements. To the extent the Foundation believes an investment value is not appropriate, fair value would be solicited from the Foundation's financial custodian and a committee of the Board of Directors would approve a change in value in the Foundation's financial statements.

Investment sales and purchases are recorded on a trade-date basis, which results in both investment receivables and payables on unsettled investment trades. Dividend income is recorded based upon the ex-dividend date, and interest income is recorded as earned on an accrual basis. Realized and unrealized gains and losses from changes in market values are reflected in the statements of activities.

Other Assets - Fixed Assets

The Foundation capitalizes the cost of leasehold improvements, furniture and equipment, and website development/redesign costs and is depreciating/amortizing the assets using the straight-line method. Leasehold improvements are amortized over the lesser of the estimated useful life of the improvements or the term of the lease; furniture and equipment are depreciated over five to seven years, the estimated useful life; and website development/redesign costs are amortized over three years, the estimated useful life.

In 2013, the Foundation completed construction related to building out its office space in a new location under a new lease agreement at a total cost of $2,463,660. See Note 4. Fixed assets are included in other assets on the Statements of Financial Position. Depreciation/amortization expense was $264,942 and $202,277 for the years ended December 31, 2014 and 2013, respectively.

Grants

Grants specifically committed to designated grantees, but not yet paid, are accrued as grants payable.

Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes that the Foundation is not exposed to any significant credit risk on cash.

Net Assets

Temporarily restricted net assets are limited by donors to a specific time period or purpose. Unrestricted net assets are not subject to any stipulations. During 2012, the Foundation recognized a $4,000,000 contribution restricted to specific 2013 and 2014 grant-making programs. During 2014, no additional restricted contributions were received and the remaining restricted assets were utilized to satisfy the restriction.

Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-07, "*Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*" ("ASU 2015-07"). ASU 2015-07 simplifies Topic 820 by removing the requirement to categorize, within the fair value hierarchy, all investments measured using the NAV practical expedient. Although classification within the fair value hierarchy is no longer required, an entity must disclose the amount of investments measured using the NAV practical expedient in order to permit reconciliation of the fair value of investments in the hierarchy to the corresponding line items in the Statement of Financial Position. The amendments are effective retrospectively for fiscal years beginning after December 15, 2016. Early adoption is permitted. This standard will have footnote disclosure impact on the Foundation's financial statements when adopted.

Subsequent Events

The Foundation has evaluated subsequent events through July 6, 2015, the date the financial statements were available to be issued. No material subsequent events have occurred through this date that required recognition or disclosure in these financial statements.

2. Investments

Under the Foundation's investment policy, the directors of the Joyce Foundation have delegated to the Investment Committee the responsibility for establishing the investment policy that is to guide the investment of the Foundation's assets. The Investment Committee has the responsibility to monitor the investment managers on an ongoing basis and to add, replace or eliminate managers when it is deemed appropriate to do so. The Investment Committee reports to the Board and is responsible for recommending, reviewing and monitoring policies and programs affecting the finances of the Foundation. The investment policy was last amended December 5, 2014.

Foundation investments consist of the following at December 31:

	2014		2013	
	Cost	Market Value	Cost	Market Value
Cash equivalents	$ 8,487,937	$ 8,487,937	$ 12,853,269	$ 12,853,269
US Equity				
Large Cap	213,005,857	265,811,396	188,215,802	248,198,444
Mid/Small Cap	45,310,260	58,658,936	47,557,742	65,970,662
Non-US Equity				
Developed markets	127,063,587	142,321,012	137,538,342	169,439,743
Emerging markets	77,524,728	86,381,261	55,310,160	65,413,774
Fixed income	101,957,809	98,527,637	98,945,686	94,099,145
Alternative investments				
Absolute return hedge funds	98,602,357	114,305,979	94,686,606	109,310,314
Hedged equity hedge funds	56,647,089	70,715,700	56,775,077	72,017,786
Private equity partnerships	62,944,025	92,800,038	57,056,296	84,781,457
Real assets	7,729,893	9,602,210	6,334,465	8,044,459
Real estate and mineral rights	442,761	442,761	442,761	442,761
Total	$ 799,716,303	$ 948,054,867	$ 755,716,206	$ 930,571,814

Fair Value Measurements

ASC 820-10, *"Fair Value Measurements,"* established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based upon market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions of what market participants would use in pricing the asset or liability based upon the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 – Quoted prices in active markets for identical investments;

Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); and

Level 3 – Significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of investments)

Cash equivalents consist primarily of cash and short-term investments with initial maturities of three months or less. Such investments are reflected at cost, plus accrued interest, if applicable. U.S. and non-U.S. equities consist primarily of direct or indirect investments in U.S. and international common stock. Fixed income consists primarily of indirect investments in U.S. government agency and treasury securities, mortgage-backed securities, collateralized mortgage obligations, corporate securities, non-U.S. corporate securities and government securities. Absolute Return and Hedged Equity Hedge Funds consist primarily of commingled funds and limited partnerships that invest in both nonmarketable and market-traded securities. Fund investments may include both long and short positions, as well as leverage. Private equity partnerships consist of limited partnerships, including venture capital funds, buyout funds, and funds that invest in distressed and mezzanine debt securities. Real assets consist of limited partnerships investing in equity real estate and energy related investments.

The following is a summary of the inputs used as of December 31, 2014 in valuing the Foundation's investments:

	December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 8,487,937	$ 8,487,937	$ -	$ -
US Equity				
Large Cap	265,811,396	135,927,626	129,883,770	-
Mid/Small Cap	58,658,936	34,452,123	24,206,813	-
Non-US Equity				
Developed markets	142,321,012	79,932,776	62,388,236	-
Emerging markets	86,381,261	-	86,381,261	-
Fixed income	98,527,637	98,527,637	-	-
Alternative investments				
Absolute return hedge funds	114,305,979	-	24,701,249	89,604,730
Hedged equity hedge funds	70,715,700	-	16,725,394	53,990,306
Private equity partnerships	92,800,038	-	-	92,800,038
Real assets	9,602,210	-	-	9,602,210
Real estate and mineral rights	442,761	-	-	442,761
	$ 948,054,867	$ 357,328,099	$ 344,286,723	$ 246,440,045

The following is a summary of the inputs used as of December 31, 2013 in valuing the Foundation's investments:

	December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 12,853,269	$ 12,853,269	$ -	$ -
US Equity				
Large Cap	248,198,444	126,669,160	121,529,284	-
Mid/Small Cap	65,970,662	39,996,362	25,974,300	-
Non-US Equity				
Developed markets	169,439,743	73,660,123	95,779,620	-
Emerging markets	65,413,774	-	65,413,774	-
Fixed income	94,099,145	94,099,145	-	-
Alternative investments				
Absolute return hedge funds	109,310,314	-	23,634,924	85,675,390
Hedged equity hedge funds	72,017,786	-	17,129,967	54,887,819
Private equity partnerships	84,781,457	-	-	84,781,457
Real assets	8,044,459	-	-	8,044,459
Real estate and mineral rights	442,761	-	-	442,761
	$ 930,571,814	$ 347,278,059	$ 349,461,869	$ 233,831,886

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 investment assets for the years ended December 31, 2014 and 2013, respectively.

	Emerging Markets	Absolute Return Hedge Funds	Hedged Equity Hedge Funds	Private Equity Partnerships	Real Assets	Real Estate and Mineral Rights	Total
Balance, at January 1, 2013	$ 45,428,224	$ 90,360,630	$ 49,946,933	$ 86,436,201	$ 5,194,087	$ 442,761	$ 277,808,836
Realized gains (losses)	-	661,249	(2,849,793)	16,045,517	-	-	13,856,973
Unrealized gains (losses)	2,320,801	4,776,571	13,450,868	(2,519,684)	501,991	-	18,530,547
Purchases	-	40,372	-	12,123,345	2,348,381	-	14,512,098
Sales	-	(4,040,372)	(5,636,053)	-	-	-	(9,676,425)
Other settlements and distributions	-	(6,123,060)	(24,136)	(27,303,922)	-	-	(33,451,118)
Transfers out of Level 3	(47,749,025)	-	-	-	-	-	(47,749,025)
Balance, at December 31, 2013	-	85,675,390	54,887,819	84,781,457	8,044,459	442,761	233,831,886
Realized gains	-	-	-	8,777,611	452,473	-	9,230,084
Unrealized gains (losses)	-	3,965,052	(12,897,513)	6,157,528	564,056	-	(2,210,877)
Purchases	-	-	12,000,000	12,393,001	2,466,706	-	26,859,707
Other settlements and distributions	-	(35,712)	-	(19,309,559)	(1,925,484)	-	(21,270,755)
Balance, at December 31, 2014	**$ -**	**$ 89,604,730**	**$ 53,990,306**	**$ 92,800,038**	**$ 9,602,210**	**$ 442,761**	**$ 246,440,045**

The Foundation's policy is to evaluate the classification of Level 1, 2 and 3 assets at the end of each reporting period. The Foundation's policy is to record transfers in or out of the levels at the fair value of the investment at the date of transfer. Transfers from Level 3 to Level 2 are a result of more observable market data becoming available for certain securities.

At the beginning of 2013, fixed income investments were comprised of commingled funds with partially observable underlying assets and, therefore, classified as Level 2 investments. During 2013, the balance in the fund was transferred to a mutual fund with daily published pricing and has been reclassified as a Level 1 investment as of December 31, 2013. In addition, two investments in Non-US equity emerging markets had been classified as Level 3 investments due to restrictions on redemptions. Upon further review, the redemption restrictions are not significant enough to warrant a Level 3 classification. As of December 31, 2013, these two investments were moved from Level 3 to Level 2.

The Foundation follows the concept of the "practical expedient" under GAAP. The practical expedient is an acceptable method to determine the fair value of certain NAV investments which (1) do not have readily determinable fair value and (2) have financial statements prepared consistent with the measurement principles of an investment company or have attributes of an investment company. The following tables list such investments by major category:

December 31, 2014	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (If currently eligible)**	**Redemption Notice Period**
Public equities (a)	**$ 215,751,842**	**$ -**	**Daily - Monthly**	**30 days or less**
Alternative Investments				
Absolute return hedge funds (b)	**114,305,979**	**-**	**Quarterly – Annually**	**45-65 days**
Hedged equity hedge funds (c)	**70,715,700**	**-**	**Quarterly – Annually**	**45-80 days**
Private equity (d)	**92,800,038**	**53,482,739**	**N/A**	**N/A**
Real assets (d)	**10,044,971**	**29,787,574**	**N/A**	**N/A**
Total	**$ 503,618,530**	**$ 83,270,313**		

December 31, 2013	Fair Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Public equities (a)	$ 220,939,563	$ -	Monthly	30 days or less
Alternative Investments				
Absolute return hedge funds (b)	109,310,314	-	Quarterly – Annually	45-65 days
Hedged equity hedge funds (c)	72,017,786	-	Quarterly – Triennially	45-60 days
Private equity (d)	84,781,457	56,068,718	N/A	N/A
Real assets (d)	8,487,220	15,071,917	N/A	N/A
Total	$ 495,536,340	$ 71,140,635		

(a) Public equities

This category includes investments in commingled funds and partnerships that invest primarily in publicly traded, long-only securities, including U.S. and non-U.S. common stock; closed-end mutual funds that invest in non-U.S. stocks; equity index futures; and short-term fixed income securities. The fair values of the investments in this category have been estimated using the net asset value per share of the investments or the net asset value of the Foundation's ownership interest in partners' capital, depending on the fund's structure.

(b) Absolute return hedge funds

This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. These strategies include distressed and non-distressed bond strategies, long/short equity strategies, event-oriented equity strategies, real assets including real estate, and private equity. The fair values of the investments in this category have been estimated using the net asset value per share of the investments or the net asset value of the Foundation's ownership interest in partners' capital, depending on the fund's structure. Approximately 3% of the value of the investments in this category is comprised of the residual positions from a fully redeemed fund, which will pay out as the underlying investments are realized.

(c) Hedged equity hedge funds

This category includes investments in hedge funds that invest both long and short primarily in U.S. and non-U.S. common stocks. The fair values of the investments in this category have been estimated using the net asset value per share of the investments or the net asset value of the Foundation's ownership interest in partners' capital, depending on the fund's structure. Only one fund, representing approximately 22% of the value of the investments in this category, has triennial redemption for the year ended December 31, 2013. This fund was redeemed in 2014. All other funds can be redeemed no more often than annually.

(d) Private equity and real assets

These categories include limited partnerships that invest primarily in privately held U.S. and non-U.S. companies, distressed debt, commercial real estate, and energy related investments. The fair values of the investments in this category have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. In these funds, there is no elective redemption option. Distributions from each fund will be received as the underlying investments of the funds are realized and liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 7 to 10 years.

Investment Partnerships Open Commitments

The Foundation had open commitments to make additional partnership investments of approximately $83,270,313 at December 31, 2014. Returned unused capital contributions may be recalled and all distributions are subject to repayment to cover liabilities of the partnerships. The amount of this contingency cannot be determined.

Derivative Financial Instruments

In connection with its investing activities, the Foundation enters into transactions involving a variety of derivative financial instruments, primarily exchange-traded financial futures contracts. These contracts provide for the delayed delivery or purchase of financial instruments at a specified future date at a specified price or yield.

Derivative financial instruments involve varying degrees of off-balance-sheet market risk, whereby changes in the market values of the underlying financial instruments may result in changes in the value of the financial instruments in excess of the amounts reflected in the statements of financial position. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments and the Foundation's investment holdings and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Foundation's overall exposure to market risk.

Derivative financial instruments can also be subject to credit risk, which arises from the potential inability of counterparties to perform in accordance with the terms of the contract. The Foundation's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Foundation has a gain. Exchange-traded derivative financial instruments, such as financial futures contracts, generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements and the margin requirements of the individual exchanges.

3. Defined Contribution Pension Plan

The Foundation maintains a defined contribution pension plan for eligible employees. Employer contributions are discretionary and are calculated as a percentage of salaries as determined by the Board of Directors. Total employer and employee contributions may not exceed the lesser of 100% of salaries or $52,000 per employee. Pension expense was $395,216 and $413,012 for 2014 and 2013, respectively.

4. Commitments

On May 17, 2012, the Foundation entered into a 15-year lease agreement with a lease commencement date of February 1, 2013. The noncancelable operating lease for the new office space provides for minimum monthly payments through January 31, 2028, plus additional amounts to cover the proportionate share of the cost of operating the property. Rent expense, including related operating expenses, totaled $586,453 in 2014 and $576,613 in 2013. At December 31, 2014, minimum payments under the lease are as follows:

	Amount
2015	$ 308,349
2016	317,180
2017	326,011
2018	334,842
2019	343,676
Thereafter	3,101,889
Total	$ 4,731,947

The accompanying Statements of Activities reflect rent expense on a straight-line basis over the term of the office lease and considers rent abatements granted over the lease term. The described accounting treatment results in deferred rent as shown in the Statements of Financial Position.