THE DURFEE FOUNDATION

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

THE DURFEE FOUNDATION
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Durfee Foundation
Santa Monica, California

We have audited the accompanying financial statements of Durfee Foundation ("Foundation"), a Nevada non-profit public benefit corporation, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and change 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 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 Durfee Foundation as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2014 financial statements were audited by Stanislawski & Harrison, whose practice become part of CliftonLarsonAllen, LLP as of December 1, 2015, and whose report dated May 18, 2015, expressed an unmodified opinion on those statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Pasadena, California
June 20, 2016

THE DURFEE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 408,155	$ 531,236
Investments (Note 3)	27,997,877	29,491,011
Contribution receivable, net (Note 4)	3,787,690	-
Prepaid expenses and other assets	36,038	28,994
TOTAL ASSETS	$ 32,229,760	$ 30,051,241
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 51,560	$ 46,740
Grants payable (Note 5)	1,662,675	589,763
TOTAL LIABILITIES	1,714,235	636,503
NET ASSETS		
Unrestricted net assets	26,727,835	29,414,738
Temporarily restricted net assets	3,787,690	-
TOTAL NET ASSETS	30,515,525	29,414,738
TOTAL LIABILITIES AND NET ASSETS	$ 32,229,760	$ 30,051,241

See accompanying Notes to Financial Statements.

THE DURFEE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Dividends and interest	$ 1,607,675	$ -	$ 1,607,675
Realized gains on investments, net	130,366	-	130,366
Unrealized losses on investments	(1,683,553)	-	(1,683,553)
Contributions	983,500	3,787,690	4,771,190
TOTAL REVENUE	1,037,988	3,787,690	4,825,678
EXPENSES			
Grants	2,765,733	-	2,765,733
Salaries	354,336	-	354,336
Grant related expenses	160,634	-	160,634
Employee benefits	93,375	-	93,375
Office expense (Note 6)	89,770	-	89,770
Professional services	56,204	-	56,204
Investment management fees	53,184	-	53,184
Trustee fees paid to officers and directors	32,500	-	32,500
Other expenses	31,235	-	31,235
Excise taxes	28,888	-	28,888
Payroll taxes	23,784	-	23,784
Dues	18,480	-	18,480
Insurance	8,864	-	8,864
Travel, conferences and meetings	7,196	-	7,196
Miscellaneous	708	-	708
TOTAL EXPENSES	3,724,891	-	3,724,891
(DECREASE) INCREASE IN NET ASSETS	(2,686,903)	3,787,690	1,100,787
NET ASSETS - BEGINNING OF YEAR	29,414,738	-	29,414,738
NET ASSETS - END OF YEAR	$ 26,727,835	$ 3,787,690	$ 30,515,525

See accompanying Notes to Financial Statements.

THE DURFEE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Dividends and interest	$ 1,585,168	$ -	$ 1,585,168
Realized gains on investments, net	1,639,132	-	1,639,132
Unrealized losses on investments, net	(801,536)	-	(801,536)
Contributions	1,564	-	1,564
Net assets released from restriction (Note 8)	648,436	(648,436)	-
TOTAL REVENUE	3,072,764	(648,436)	2,424,328
EXPENSES			
Grants	906,760	-	906,760
Salaries	297,274	-	297,274
Grant related expenses	127,896	-	127,896
Employee benefits	74,437	-	74,437
Office expense (Note 6)	85,104	-	85,104
Professional services	52,399	-	52,399
Other expenses	50,086	-	50,086
Investment management fees	30,103	-	30,103
Payroll taxes	17,115	-	17,115
Trustee fees paid to officers and directors	35,000	-	35,000
Excise taxes	47,440	-	47,440
Dues	29,932	-	29,932
Insurance	8,782	-	8,782
Travel, conference and meetings	8,684	-	8,684
TOTAL EXPENSES	1,771,012	-	1,771,012
INCREASE (DECREASE) IN NET ASSETS	1,301,752	(648,436)	653,316
NET ASSETS - BEGINNING OF YEAR	28,112,986	648,436	28,761,422
NET ASSETS - END OF YEAR	$ 29,414,738	$ -	$ 29,414,738

See accompanying Notes to Financial Statements.

THE DURFEE 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	$ 1,100,787	$ 653,316
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Realized gains on investments, net	(130,366)	(1,639,132)
Unrealized losses on investments	1,683,553	801,536
Change in operating assets and liabilities:		
Contributions receivable	(3,787,690)	648,436
Prepaid expenses and other assets	(7,044)	(6,038)
Accounts payable and accrued expenses	4,820	3,773
Grants payable	1,072,912	(565,168)
Net Cash Used in Operating Activities	(63,028)	(103,277)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(3,200,329)	(7,598,236)
Sales of investments	3,140,276	7,995,411
Net Cash (Used in) Provided by Investing Activities	(60,053)	397,175
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(123,081)	293,898
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	531,236	237,338
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 408,155	$ 531,236
SUPPLEMENTAL CASH FLOWS INFORMATION:		
Excise taxes paid	$ 20,000	$ 26,872

See accompanying Notes to Financial Statements.

1. THE ORGANIZATION

The Durfee Foundation (the "Foundation"), located in Santa Monica, California, was created in 1960 for general philanthropic purposes. Over the years, the Foundation has developed a special emphasis to encourage individuals and organizations in pursuing their particular vision. Grants are awarded at the discretion of the Board of Trustees based on guidelines set forth in the bylaws primarily for research, education, and cultural enhancement principally in the Los Angeles region.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation
The financial statements of the Foundation have been prepared on the accrual basis of accounting to conform to generally accepted accounting principles in the United States of America as applicable to non-profit organizations. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein have been classified and are reported as follows:

> Unrestricted net assets – Net assets not subject to donor-imposed stipulations; donor-restricted contributions whose restrictions are met in the same reporting period; and net assets designated by the Board of Trustees for specific purposes.
>
> Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or by the expiration of stipulated time (See Note 8).
>
> Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes. Currently, the Foundation has no permanently restricted net assets.

Cash and Cash Equivalents
The Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Contributions Receivable
Promises to give are recorded as contribution income and as receivables. Contributions are classified as unrestricted and temporarily restricted based on donor-imposed stipulations. Pledges that are expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are initially recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible pledges is estimated by management based on such factors as prior collections history, type of contribution and the nature of the fundraising activity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are stated at fair value. The estimated fair value of investments is based on quoted market prices and net asset value. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the statement of activities and changes in net assets.

Fair Value

Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurement and Disclosure* establish a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring fair value. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 – Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level II input could result in the Level II measurement becoming a Level III measurement.

Level 3 – Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Grants Payable

Grants payable and related expenses are initially measured at fair value using present value techniques, if greater than one year or at net realizable value if less than one year.

Income Taxes

The Foundation is a Nevada nonprofit public benefit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Foundation is classified as a private foundation as described in Section 509(a) and is not exempt from excise taxes on the net investment income of private foundations under Section 4940 of the Code. Historically, the Foundation has paid excise taxes at the 2% level. Generally, the Foundation’s informational tax returns are subject to examination by federal and state tax authorities for three years and four years, respectively, after the date of filing.

Concentration of Credit Risk

Amounts on deposit with banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to statutory limits. Amounts maintained at brokerages are insured up to statutory limits by the Securities Investor Protection Corporation (SIPC). Mutual fund holdings are uninsured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk (Continued)
As of December 31, 2015, one contributor accounted for 100% of the contribution receivable. For the year ended December 31, 2015, one contributor accounted for 100% of contribution income.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events
Subsequent events have been evaluated through June 20, 2016, the date that these financial statements were issued. There were no subsequent events that would require adjustments to or disclosures in these financial statements.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

At December 31, 2015 and 2014, the fair value measurements for investments measured on a recurring basis are as follows:

	2015	2014
Equity mutual funds	$ 20,431,916	$ 21,594,539
Bond mutual funds	7,565,961	7,896,472
Total investments	$ 27,997,877	$ 29,491,011

All of the Foundation’s investments are level 1 assets under the fair value hierarchy disclosed in Note 2.

4. CONTRIBUTION RECEIVABLE

The contribution receivable as of December 31, 2015 is as follows:

BayTree Fund receivable	$ 4,000,000
Less: Present value discount at 4%	(212,310)
	$ 3,787,690

4. CONTRIBUTIONS RECEIVABLE (Continued)

As of December 31, 2015, future collections of the contribution receivable are expected as follows:

Year Ending December 31	
2016	$ 1,000,000
2017	1,000,000
2018	1,000,000
2019	1,000,000
Total	$ 4,000,000

5. GRANTS PAYABLE

At December 31, 2015 and 2014, grants payable are as follows:

	2015	2014
Stanton Fellowships	$ 600,000	$ 210,263
Springboard Program	460,000	185,000
Sabbatical awards	288,000	-
Food Forward	100,000	50,000
1 in 6	100,000	-
Earthwatch	64,675	144,500
Talent Philanthropy Project	50,000	-
	$ 1,662,675	$ 589,763

As of December 31, 2015, grants payable are expected to be paid as follows:

Year Ending December 31	
2016	$ 1,267,675
2017	395,000
Total	$ 1,662,675

6. LEASE COMMITMENT

The Foundation occupies its office facility under a non-cancelable operating lease agreement, under which the Foundation pays a monthly base rent, plus real property taxes and its share of increases in operating expenses. In April 2013, the lease was amended and extended through December 31, 2018, at a monthly base rent of $5,812 with annual increases of three percent. For the years ended December 31, 2015 and 2014, rent expenses were $74,402 and $71,234, respectively.

6. LEASE COMMITMENT (Continued)

Future minimum lease payments are as follows:

Year Ending December 31,	
2016	$ 73,997
2017	76,217
2018	78,503
	$ 228,717

7. RETIREMENT PLAN

The Foundation has a deferred contribution 403(b) retirement plan (the "Plan"), administered by the Vanguard Group, available for all employees. The Foundation, on a one-to-one matching basis, contributed up to the maximum allowed by the Internal Revenue Service for all employees with over one year of service. For the years ended December 31, 2015 and 2014, the Foundation made plan contributions of $40,772 and $36,568, respectively.

8. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2015, temporarily restricted net assets of $3,787,690 were available for general operating support. Balances were restricted due to time restriction on the contribution receivable.

During the year ended December 31, 2014, the Foundation released net assets of $648,436, from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

9. FUNCTIONAL ALLOCATION OF EXPENSES

The functional allocation of expenses for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Program	$ 3,402,671	$ 1,446,892
Management and general	322,220	324,120
	$ 3,724,891	$ 1,771,012