

Consolidated Financial Statements and  
Supplementary Information Together with  
Report of Independent Certified Public Accountants

**ALFRED P. SLOAN FOUNDATION**

December 31, 2015 and 2014

# ALFRED P. SLOAN FOUNDATION

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Grant Thornton LLP  
757 Third Avenue, 9th Floor  
New York, NY 10017  
T 212.599.0100  
F 212.370.4520  
[GrantThornton.com](http://GrantThornton.com)  
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of  
**Alfred P. Sloan Foundation:**

We have audited the accompanying consolidated financial statements of the Alfred P. Sloan Foundation (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows, for the years then ended, and the related notes to the consolidated financial statements.

### **Management's responsibility for the 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 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 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 consolidated financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Alfred P. Sloan Foundation as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Supplementary information**

Our audit was conducted for the purpose of forming an opinion on the basic 2015 consolidated financial statements as a whole. The schedule of management and investment expenses for the years ended December 31, 2015 and 2014 on page 17 and the schedule of grants and appropriations for the year ended December 31, 2015 on pages 18 through 22 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Grant Thornton LLP*

New York, New York  
July 5, 2016

**ALFRED P. SLOAN FOUNDATION**  
**Consolidated Statements of Financial Position**  
**As of December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 1,300,268	\$ 1,356,562
Receivables	-	20,329,713
Investments (Note 3):		
Direct investments - equities	175,558,458	180,434,633
Direct investments - fixed income	115,816,392	91,210,296
Direct investments - mutual and exchange traded funds	163,856,161	171,446,255
Alternative investments	<u>1,319,565,659</u>	<u>1,411,184,991</u>
Total investments	<u>1,774,796,670</u>	<u>1,854,276,175</u>
Total assets	<u>\$ 1,776,096,938</u>	<u>\$ 1,875,962,450</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Grants payable (Note 8)	\$ 55,082,558	\$ 52,622,215
Federal excise tax payable (Note 5)	12,523,918	12,326,912
Deferred compensation arrangements	205,250	139,350
Accrued postretirement health benefit obligation (Note 7)	8,129,782	7,162,185
Other liabilities	<u>71,150</u>	<u>126,881</u>
Total liabilities	<u>76,012,658</u>	<u>72,377,543</u>
Commitments (Notes 3, 4, and 9)		
NET ASSETS - unrestricted	<u>1,700,084,280</u>	<u>1,803,584,907</u>
Total liabilities and net assets	<u>\$ 1,776,096,938</u>	<u>\$ 1,875,962,450</u>

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

**ALFRED P. SLOAN FOUNDATION**  
**Consolidated Statements of Activities**  
**For the years ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
INVESTMENT INCOME		
Interest and dividends	\$ 8,148,951	\$ 13,531,531
Less:		
Investment expenses	(7,574,135)	(8,557,948)
Provision for taxes (Note 5)	<u>(3,230,000)</u>	<u>(4,775,000)</u>
	<u>(10,804,135)</u>	<u>(13,332,948)</u>
Net investment income	<u>(2,655,184)</u>	<u>198,583</u>
EXPENSES		
Grants (net of refunds of \$351,424 in 2015 and \$208,571 in 2014)	81,489,885	71,464,219
Management expenses	<u>9,685,223</u>	<u>12,448,508</u>
	<u>91,175,108</u>	<u>83,912,727</u>
Excess of expenses over net investment income	<u>(93,830,292)</u>	<u>(83,714,144)</u>
INVESTMENT GAINS		
Net realized gain on disposal of investments	114,119,654	103,400,852
Unrealized loss on investments, net of deferred federal excise tax expense of \$9,248,935 and \$11,769,232 in 2015 and 2014, respectively	<u>(123,494,560)</u>	<u>(21,815,814)</u>
	<u>(9,374,906)</u>	<u>81,585,038</u>
Decrease in net assets before postretirement benefit adjustments	(103,205,198)	(2,129,106)
Amounts not yet recognized as a component of net periodic benefit cost	<u>(295,429)</u>	<u>(259,832)</u>
Decrease increase in net assets	(103,500,627)	(2,388,938)
Net assets at beginning of year	<u>1,803,584,907</u>	<u>1,805,973,845</u>
Net assets at end of year	<u>\$ 1,700,084,280</u>	<u>\$ 1,803,584,907</u>

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

**ALFRED P. SLOAN FOUNDATION**  
**Consolidated Statements of Cash Flows**  
For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (103,500,627)	\$ (2,388,938)
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Net realized gain on disposal of investments	(114,119,654)	(103,400,852)
Unrealized loss on investments	126,014,857	22,261,034
Decrease (increase) in other assets	20,329,713	(20,329,713)
Increase (decrease) in federal excise tax payable	197,006	(653,722)
Increase (decrease) in grants payable	2,460,343	(9,832,228)
Increase in accrued postretirement health benefit obligation	967,597	892,106
Increase (decrease) in deferred compensation arrangements	65,900	(789,205)
(Decrease) increase in other liabilities	<u>(55,731)</u>	<u>13,646</u>
Net cash used in operating activities	<u>(67,640,596)</u>	<u>(114,227,872)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	75,729,200	127,870,315
Purchases of investments	<u>(8,144,898)</u>	<u>(13,530,400)</u>
Net cash provided by investing activities	<u>67,584,302</u>	<u>114,339,915</u>
Net (decrease) increase in cash	(56,294)	112,043
Cash at beginning of year	<u>1,356,562</u>	<u>1,244,519</u>
Cash at end of year	<u>\$ 1,300,268</u>	<u>\$ 1,356,562</u>

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

# **ALFRED P. SLOAN FOUNDATION**

## **Notes to Consolidated Financial Statements**

### **December 31, 2015 and 2014**

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#### **1. ORGANIZATION**

The Alfred P. Sloan Foundation is a philanthropic private foundation which makes grants to support original research and broad-based education related to science, technology, and economics that aim to improve the quality of American life. The Alfred P. Sloan Foundation is unique in its focus on science, technology, and economic institutions. It believes the scholars and educators who work in these fields are chief drivers of the nation's health and prosperity. The Foundation also believes that broad-based education of the public about science, technology and economics, and the scholars who do research in these areas, is an essential complement to research and practice in these areas. In each grant program, the Foundation seeks proposals for original projects led by outstanding individuals or teams that will advance these goals. The Alfred P. Sloan Foundation is interested in projects that it expects will result in significant benefits to society, and for which funding from the private sector, the government, or other foundations is not widely available. The Alfred P. Sloan Foundation's investment portfolio provides the financial resources to support its activities. The investment strategy for the investment portfolio is to invest prudently in a diversified portfolio of assets with the goal of achieving superior returns.

In June 2009, Sloan Projects LLC was established under the Delaware Limited Liability Company Act. The Alfred P. Sloan Foundation and Sloan Projects LLC share the common charitable and educational purpose of supporting, among other projects, film, theatrical, and television projects that promote education about science, technology, economics, and the scholars who do research in these areas. Sloan Projects LLC is a single member limited liability company ("LLC") with the sole member being the Alfred P. Sloan Foundation. Sloan Projects LLC is consolidated with Alfred P. Sloan Foundation for financial statement and tax purposes.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Accounting**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the assets, liabilities, net assets, and financial activities of Alfred P. Sloan Foundation and Sloan Projects LLC (collectively, the "Foundation"). All significant inter-organization balances and transactions have been eliminated in consolidation.

##### **Income Taxes**

Alfred P. Sloan Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is a private foundation as defined in Section 509(a) of the Code. Sloan Projects LLC is a single member LLC and is a disregarded entity for tax purposes. The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained.

##### **Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. The Foundation discloses fair value measurements by level within that hierarchy. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market



**ALFRED P. SLOAN FOUNDATION**  
**Notes to Consolidated Financial Statements**  
**December 31, 2015 and 2014**

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participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation as of the reporting date. Unobservable inputs reflect the Foundation's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value is categorized into three levels based on the inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available. Since valuations are based on quoted prices that are readily available and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

The Foundation follows the accounting standards of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic, 820-10-35-59, *Fair Value Measurement and Disclosures – Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. This allows for the estimation of the fair value of investments in investment companies, for which the investment does not have a readily determinable fair value, using net asset value per share or its equivalent, as provided by the investment managers. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the net asset values of these investments as of the measurement date. These estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

In May 2015, the FASB issued Accounting Standards Update No. 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). The amendments within ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient. ASU 2015-07 is effective for non-public entities with fiscal years beginning after December 15, 2016, however early adoption is permitted. The reporting entity is required upon adoption to apply the amendments retrospectively to all periods presented.

**ALFRED P. SLOAN FOUNDATION**  
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The Foundation early adopted ASU 2015-07 effective January 1, 2015 and has applied the amendments retroactively for all periods presented, as required by the ASU. The adoption of this new guidance by the Foundation only amended disclosure requirements and did not have an impact on the Foundation's consolidated financial statements for the periods presented.

**Investments**

Investments in equity securities with readily determinable fair values are reported at fair value based on quoted market prices. Investments in debt securities are measured using quoted market prices where available. If quoted market prices for debt securities are not available, the fair value is determined using an income approach valuation technique that considers, among other things, rates currently observed in publicly traded markets for debt with similar terms to companies with comparable credit risk, the issuer's credit spread, and illiquidity by sector and maturity.

Gains and losses on disposal of investments are determined on the first-in, first-out basis on a trade date basis.

**Concentrations of Credit Risk**

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents, equity and fixed-income securities and alternative investments. The Foundation maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Foundation's cash accounts were placed with high credit quality financial institutions. The Foundation has not experienced, nor does it anticipate, any losses with respect to such accounts. The Foundation has a significant investment in equities, fixed income securities, mutual and exchange-traded funds and alternative investments, both marketable and non-marketable, and is therefore subject to concentrations of credit risk.

**Grants**

Grants are recorded as an expense of the Foundation when authorized by the Board of Trustees and the grantee has been selected and notified. In certain instances (e.g. Sloan research fellowships), grants are recorded as an expense and liability when the Board of Trustees appropriates amounts for selected projects. Refunded grants are recorded as a reduction to grant expense. Conditional grants are not recorded until the conditions are substantially met.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 these estimates.

**Subsequent Events**

The Foundation evaluated its December 31, 2015 consolidated financial statements for subsequent events through July 5, 2016, the date the consolidated financial statements were available to be issued. The Foundation is unaware of any events that would require disclosure in the accompanying consolidated financial statements.

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**Notes to Consolidated Financial Statements**  
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**3. INVESTMENTS**

The following tables present the fair value hierarchy of investments, the only financial instruments of the Foundation that are measured at fair value on a recurring basis, at December 31, 2015 and 2014:

	Fair Value Measurements at December 31, 2015				Net Asset Value
	Total	Level 1	Level 2	Level 3	
Direct investments:					
Equities:					
Domestic	\$ 125,355,398	\$ 125,355,398	\$ -	\$ -	\$ -
International	50,203,060	50,203,060	-	-	-
	<u>175,558,458</u>	<u>175,558,458</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fixed income:					
U.S. government	115,816,392	115,816,392	-	-	-
	<u>115,816,392</u>	<u>115,816,392</u>	<u>-</u>	<u>-</u>	<u>-</u>
Mutual and exchange-traded funds:					
Equities	80,602,245	80,602,245	-	-	-
Independent return	51,014,529	51,014,529	-	-	-
Fixed income	32,239,387	32,239,387	-	-	-
	<u>163,856,161</u>	<u>163,856,161</u>	<u>-</u>	<u>-</u>	<u>-</u>
Alternative investments:					
Equities:					
Domestic	157,945,001	-	-	-	157,945,001
Long/short	185,811,038	-	-	-	185,811,038
International	275,403,996	-	-	-	275,403,996
Fixed income:					
Global sovereign bonds	54,626,654	-	-	-	54,626,654
High yield	2,341,822	-	-	-	2,341,822
Independent return	450,573,562	-	-	2,254,781	448,318,781
Real estate	13,247,881	-	-	-	13,247,881
Private equity	179,615,705	-	-	-	179,615,705
	<u>1,319,565,659</u>	<u>-</u>	<u>-</u>	<u>2,254,781</u>	<u>1,317,310,878</u>
	<u>\$ 1,774,796,670</u>	<u>\$ 455,231,011</u>	<u>\$ -</u>	<u>\$ 2,254,781</u>	<u>\$ 1,317,310,878</u>

**ALFRED P. SLOAN FOUNDATION**  
**Notes to Consolidated Financial Statements**  
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	Fair Value Measurements at December 31, 2014				Net Asset Value
	Total	Level 1	Level 2	Level 3	
Direct investments:					
Equities:					
Domestic	\$ 126,382,586	\$ 126,382,586	\$ -	\$ -	\$ -
International	54,052,047	54,052,047	-	-	-
	<u>180,434,633</u>	<u>180,434,633</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fixed income:					
U.S. government	91,210,296	91,210,296	-	-	-
	<u>91,210,296</u>	<u>91,210,296</u>	<u>-</u>	<u>-</u>	<u>-</u>
Mutual and exchange-traded funds:					
Equities	80,302,836	80,302,836	-	-	-
Independent return	49,858,296	49,858,296	-	-	-
Fixed income	41,285,123	41,285,123	-	-	-
	<u>171,446,255</u>	<u>171,446,255</u>	<u>-</u>	<u>-</u>	<u>-</u>
Alternative investments:					
Equities:					
Domestic	159,479,551	-	-	-	159,479,551
Long/short	164,175,833	20,403,003	-	-	143,772,830
International	263,389,331	-	-	-	263,389,331
Fixed income:					
Global sovereign bonds	58,125,827	-	-	-	58,125,827
High yield	50,483,311	-	-	-	50,483,311
Independent return	486,384,616	3,985,578	-	4,780,500	477,618,538
Real estate	17,659,701	-	-	2,870,162	14,789,539
Private equity	211,486,821	-	-	-	211,486,821
	<u>1,411,184,991</u>	<u>24,388,581</u>	<u>-</u>	<u>7,650,662</u>	<u>1,379,145,748</u>
	<u>\$ 1,854,276,175</u>	<u>\$ 467,479,765</u>	<u>\$ -</u>	<u>\$ 7,650,662</u>	<u>\$ 1,379,145,748</u>

The following table presents a reconciliation for all Level 3 assets measured at fair value at December 31, 2015:

	Beginning Balance	Purchases	Settlements/Redemptions	Total Net Realized and Unrealized Gains	Transfers In/(Out) *	Ending Balance
Alternative investments:						
Independent return	\$ 4,780,500	\$ -	\$ (3,167,899)	\$ 642,180	\$ -	\$ 2,254,781
Real estate	2,870,162	-	(2,870,772)	610	-	-
	<u>\$ 7,650,662</u>	<u>\$ -</u>	<u>\$ (6,038,671)</u>	<u>\$ 642,790</u>	<u>\$ -</u>	<u>\$ 2,254,781</u>

**ALFRED P. SLOAN FOUNDATION**  
**Notes to Consolidated Financial Statements**  
**December 31, 2015 and 2014**

The following table presents the reconciliation for all Level 3 assets measured at fair value at December 31, 2014:

	Beginning Balance	Purchases	Settlements/Redemptions	Total Net Realized and Unrealized Gains	Transfers In/(Out) *	Ending Balance
Alternative investments:						
Independent return	\$ 5,690,722	\$ -	\$ -	\$ (910,222)	\$ -	\$ 4,780,500
Real estate	6,865,171	-	(5,210,580)	1,215,571	-	2,870,162
	<u>\$ 12,555,893</u>	<u>\$ -</u>	<u>\$ (5,210,580)</u>	<u>\$ 305,349</u>	<u>\$ -</u>	<u>\$ 7,650,662</u>

The following table lists the redemption terms and unfunded commitments for the alternative investments as of December 31, 2015 and 2014:

2015						
	# of Funds	Fair Value	Unfunded Commitments (\$ in millions)	Redemption Frequency	Redemption Notice Period	Lock-up Period
Alternative investments:						
Equities:						
Domestic	2	\$ 157,945,001	\$ -	monthly, quarterly	30-60 days	None
Long/short	6	185,811,038	-	monthly, quarterly, other	30-90 days	None
International	4	275,403,996	-	monthly, quarterly, other	10-60 days	None
Fixed income:						
Global sovereign bonds	1	54,626,654	-	monthly	10 days	None
High yield	1	2,341,822	-	None	90 days	None
Independent return	20	450,573,562	31	daily, monthly, quarterly, annually, other	30-180 days	none, 1-year, rolling 2-year
Real estate	4	13,247,881	2	None	N/A	N/A
Private equity	42	179,615,705	78	None	N/A	N/A
Total		<u>\$ 1,319,565,659</u>	<u>\$ 111</u>			

2014						
	# of Funds	Fair Value	Unfunded Commitments (\$ in millions)	Redemption Frequency	Redemption Notice Period	Lock-up Period
Alternative investments:						
Equities:						
Domestic	2	\$ 159,479,551	\$ -	monthly, quarterly	30-60 days	None
Long/short	7	164,175,833	-	monthly, quarterly, other	30-90 days	none, 1-year
International	4	263,389,331	-	monthly, quarterly, other	10-60 days	none, 1-year
Fixed income:						
Global sovereign bonds	1	58,125,827	-	monthly	10 days	None
High yield	1	50,483,311	-	semi-annually	90 days	None
Independent return	21	486,384,616	17	daily, monthly, quarterly, annually, other	30-180 days	none, 1-year, rolling 2-year
Real estate	5	17,659,701	3	None	N/A	N/A
Private equity	43	211,486,821	51	None	N/A	N/A
Total		<u>\$ 1,411,184,991</u>	<u>\$ 71</u>			

*Equities:* Alternative investments in this category invest predominantly in equity securities including U.S., international developed and emerging markets, benchmarked against MSCI All Country World Index. Equity funds range from no lock-up provisions to no more than 1 year.

**ALFRED P. SLOAN FOUNDATION**  
**Notes to Consolidated Financial Statements**  
**December 31, 2015 and 2014**

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*Fixed Income:* Alternative investments in this category invest in domestic and international fixed income securities, benchmarked against Composite of Barclays Capital U.S. Intermediate Government Credit Index and Citigroup Broad index.

*Independent Return:* Independent return funds include investments such as low net exposure equity hedge funds, distressed credit, and merger arbitrage. Such strategies are expected to have equity-like long-term returns but with less correlation to the equity markets. \$73 million is invested in drawdown structures with no predetermined redemption date.

*Real Estate:* Includes funds that invest primarily in commercial real estate, all of which are illiquid investments.

*Private Equity:* Includes private equity and venture capital, all of which are illiquid investments.

Private foundations are required by the Internal Revenue Service to distribute 5% of average assets during the year. In order to plan and budget in an orderly manner, the Foundation implements the 5% rule by using a 12-quarter rolling average of the fair value of its investment portfolio to determine the distribution level for the year. The last quarter on the 12-quarter rolling average is September 30th.

**4. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET CREDIT OR MARKET RISK**

The Foundation's investment strategy has the ability to incorporate certain financial instruments that involve, to varying degrees, elements of market risk and credit risk in excess of the amounts recorded on the consolidated financial statements.

During 2015, the Foundation sold options contracts. S&P 500 Index put options sold were valued at approximately \$4.2 million at December 31, 2015 and \$4 million at December 31, 2014. The Foundation does not anticipate that losses, if any, resulting from its market or credit risks would materially affect its consolidated financial statements.

**5. TAXES**

The Foundation is liable for a federal excise tax of 2% of its net investment income, which includes realized capital gains. However, this tax is reduced to 1% if certain conditions are met. The Foundation did not meet the requirements for the 1% tax for the years ended December 31, 2015 and 2014. Therefore, current taxes are estimated at 2% of net investment income for 2015 and 2014. Additionally, certain of the Foundation's investments give rise to unrelated business income tax liabilities. Such tax liabilities for 2015 and 2014 are not material to the accompanying consolidated financial statements; however, the provision for taxes, as of December 31, 2015 and 2014, includes an estimate of tax liabilities for unrelated business income.

Deferred taxes principally arise from differences between the cost value and fair value of investments. Since the qualification for the 1% tax is not determinable until the fiscal year in which net gains are realized, deferred taxes represent 2% of unrealized gains at December 31, 2015 and 2014.

**ALFRED P. SLOAN FOUNDATION**  
**Notes to Consolidated Financial Statements**  
**December 31, 2015 and 2014**

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**6. RETIREMENT PLAN**

The Foundation has a defined contribution retirement plan covering substantially all employees under arrangements with Teachers Insurance and Annuity Association of America and College Retirement Equities Fund and Fidelity Investments. Retirement plan expense was \$803,920 and \$824,656 in 2015 and 2014, respectively.

**7. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS**

The Foundation provides healthcare benefits for qualified retirees. The Foundation records annual amounts relating to the plan based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, turnover rates, and healthcare cost trend rates.

The Foundation reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends as appropriate. The effect of modifications to those assumptions is recorded as a charge to net assets and amortized to net periodic cost over future periods using the corridor method. The net periodic costs are recognized as employees render the services necessary to earn the postretirement benefits.

The following table sets forth the financial information for the plan for 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Change in accrued postretirement benefit obligation:		
<b>Benefit obligation at beginning of year</b>	\$ 7,162,185	\$ 6,270,079
Service cost	224,623	160,020
Interest cost	272,010	297,709
Actuarial loss	771,490	735,893
Benefits paid	<u>(300,526)</u>	<u>(301,516)</u>
<b>Benefit obligation at end of year</b>	<u>\$ 8,129,782</u>	<u>\$ 7,162,185</u>
Components of net periodic postretirement benefit cost reported:		
Service cost	\$ 224,623	\$ 160,020
Interest cost	272,010	297,709
Amortization of transition obligation	476,061	476,061
Amortization of gain	<u>(101,879)</u>	<u>(170,878)</u>
Net periodic postretirement benefit cost	<u>\$ 870,815</u>	<u>\$ 762,912</u>
Benefit obligation weighted average assumptions at December 31, 2015 and 2014:		
Discount rate	4.29 %	3.88 %
Periodic benefit cost weighted average assumptions for the years ended December 31, 2015 and 2014:		
Discount rate	3.88 %	4.86 %

The medical trend and inflation rate is 8% in 2016 grading down to 5.75% in 2019 and 5% ultimately.

**ALFRED P. SLOAN FOUNDATION**  
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Assumed healthcare cost trend rates have a significant effect on the amounts reported for the postretirement health benefit plan. The effects of a 1% increase (decrease) in trend rates on total service and interest cost and the postretirement health benefit obligation are as follows:

	<b>2015</b>		<b>2014</b>	
	<b>1% Increase</b>	<b>1% Decrease</b>	<b>1% Increase</b>	<b>1% Decrease</b>
Effect on total service and interest cost	\$ 103,881	\$ (100,648)	\$ 75,976	\$ (67,104)
Effect on postretirement benefit obligation	1,394,627	(1,094,176)	1,140,635	(907,623)

Projected premium payments for each of the next five fiscal years and thereafter are as follows:

**Year ending December 31:**

2016	\$ 340,280
2017	345,373
2018	344,531
2019	360,580
2020	361,706
Thereafter through 2024	<u>1,898,194</u>
	<u>\$ 3,650,664</u>

The accumulated amount not yet recognized as a component of net periodic benefit cost was \$91,320 and \$(305,988) at December 31, 2015 and 2014, respectively. The components are as follows:

	<b>2015</b>	<b>2014</b>
Transition obligation	\$ 1,987,162	\$ 2,463,223
Net actuarial gain	<u>(1,895,842)</u>	<u>(2,769,211)</u>
	<u>\$ 91,320</u>	<u>\$ (305,988)</u>

The transition obligation and actuarial gain that will be amortized into net periodic benefit cost in 2015 will be \$476,061 and \$101,879, respectively.

**8. GRANTS PAYABLE**

The Foundation estimates that the grants payable balance as of December 31, 2015 will be paid as follows:

**Year:**

2016	\$ 35,852,991
2017	16,739,514
2018	2,190,053
2019	<u>300,000</u>
	<u>\$ 55,082,558</u>



**ALFRED P. SLOAN FOUNDATION**  
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The Foundation awards multi-year grants for certain programs with continued annual funding contingent upon the respective grantee satisfying certain performance criteria as outlined in the executed grant agreement; accordingly, the Foundation has not recorded a liability for these conditional awards which are subject to annual review. There were no conditional grant commitments at December 31, 2015.

**9. LEASE**

Rent expense for 2015 and 2014, including escalations, was \$1,346,014 and \$1,433,273, respectively. On November 21, 2013, the Foundation modified the original lease to provide for the leasing of a portion of the 22nd floor as substitute premises and to surrender the original premises on the 25th floor. The substitute premises were delivered on February 27, 2014. The Foundation vacated the original premises and provided written notice that the surrender date of the original premises was September 16, 2014, on which date the term of the original lease expired and the original lease was deemed modified. As a result of the lease modification, rent commencement on the substitute premises began on February 27, 2015 for a period of fifteen years ending on February 28, 2030. The fixed rent payable under the lease is an amount equal to (a) \$1,740,492 per annum for the period commencing on February 27, 2015 and ending on February 26, 2020 and (b) \$1,874,376 per annum for the period commencing on February 27, 2020 and ending on February 26, 2025 and (c) \$2,008,260 per annum for the period commencing on February 27, 2025 and ending on February 28, 2030.

**10. LINE OF CREDIT**

The Foundation established a \$40,000,000 line of credit with Bank of New York Mellon to provide bridge funding of grants and to finance short-term working capital needs of the Foundation. To date, the Foundation has not yet used the line of credit. The interest rate is calculated using the Mellon Monthly LIBOR plus 75 basis points, with a fallback rate of Wall Street Journal Prime minus 125 basis points. The interest rate was 2% at December 31, 2015 and 2014. If the line is used, interest will be payable monthly on the 15th of each month and principal will be due on demand. If payment is not made within 15 days following the payment date, a \$25 late fee will be assessed.

**SUPPLEMENTARY INFORMATION**

**ALFRED P. SLOAN FOUNDATION**  
**Schedule of Management and Investment Expenses**  
**For the years ended December 31, 2015 and 2014**

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	<u>2015</u>	<u>2014</u>
Management expenses:		
Salaries and employees' benefits:		
Salaries	\$ 7,124,026	\$ 6,242,611
Employees' retirement plan and other benefits	<u>2,707,796</u>	<u>2,780,403</u>
Total	9,831,822	9,023,014
Rent	1,346,014	1,433,273
Program expenses	1,030,824	917,644
Office expenses	790,373	4,168,162
Website and publications	92,812	86,754
Professional fees	<u>1,393,599</u>	<u>989,338</u>
Total management expenses	14,485,444	16,618,185
Less direct investment and other management expenses allocated to investments	<u>(4,800,221)</u>	<u>(4,169,677)</u>
Management expenses	<u>\$ 9,685,223</u>	<u>\$ 12,448,508</u>
Investment expenses:		
Investment management fees	\$ 2,773,914	\$ 4,388,271
Direct investment and other management expenses allocated to investments	<u>4,800,221</u>	<u>4,169,677</u>
Investment expenses	<u>\$ 7,574,135</u>	<u>\$ 8,557,948</u>

*This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.*

**ALFRED P. SLOAN FOUNDATION**  
**Schedule of Grants and Appropriations**  
**For the year ended December 31, 2015**

Grantee	Unpaid December 31, 2014	2015		Unpaid December 31, 2015
		Authorized	Payments	
Aberdeen Foundation, Inc., University of	\$ -	\$ 335,000	\$ 335,000	\$ -
Adler Planetarium	307,648	-	307,648	-
American Academy of Arts and Sciences	100,000	-	50,000	50,000
American Association for the Advancement of Science	138,426	941,907	500,521	579,812
American Associates of the National Theatre	-	83,938	83,938	-
American Astronomical Society	-	19,775	19,775	-
American Council on Education	-	122,739	122,739	-
American Film Institute	-	315,000	125,000	190,000
Arius Association	30,000	-	30,000	-
Association of Research Libraries	-	600,000	600,000	-
Astrophysical Research Consortium	7,125,000	700,000	5,275,000	2,550,000
Aspen Institute	-	20,000	20,000	-
Australian National University	194,548	-	194,548	-
Baron, David	15,000	-	15,000	-
Baylor College of Medicine	-	50,000	50,000	-
Baylor University	93,250	-	-	93,250
Behavioral Science & Policy Association	-	19,700	-	19,700
Benefits Data Trust	-	330,526	253,053	77,473
Boston College	186,298	482,630	436,298	232,630
Boston Symphony Orchestra	-	20,000	20,000	-
Boston University	-	704,982	300,000	404,982
Brandeis University	-	50,000	50,000	-
Brave New Software	-	20,000	-	20,000
British Columbia, University of	166,187	50,000	216,187	-
Brown University	-	144,205	144,205	-
Business-Higher Education Forum	-	650,000	400,000	250,000
California, University of, Berkeley	1,095,238	3,826,663	3,077,385	1,844,516
California, University of, Davis	508,796	1,947,485	1,358,796	1,097,485
California, University of, Irvine	393,006	120,000	300,000	213,006
California, University of, Los Angeles	-	4,645,311	2,340,000	2,305,311
California, University of, San Diego	-	1,376,812	1,376,812	-
California, University of, Santa Barbara	-	50,000	50,000	-
Carnegie Endowment for International Peace	24,997	75,000	99,997	-
California Institute of Technology	-	581,742	447,807	133,935
Carnegie Institution of Washington	1,583,000	1,250,000	2,208,000	625,000
Carnegie Mellon University	-	1,824,083	866,000	958,083
Catticus Corporation	500,000	-	-	500,000
Cell Motion Laboratories, Inc.	-	800,000	50,000	750,000
Chicago, University of	-	4,095,692	2,247,146	1,848,546
Cincinnati, University of	-	110,000	110,000	-
Cold Spring Harbor Laboratory	-	50,000	50,000	-
Colorado School of Mines	-	12,000	12,000	-
Colorado State University	-	113,773	113,773	-
Colorado, University of, at Boulder	1,033,261	(219,532)	555,428	258,301

*This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.*

**ALFRED P. SLOAN FOUNDATION**  
**Schedule of Grants and Appropriations**  
**For the year ended December 31, 2015**

Grantee	Unpaid	2015		Unpaid
	December 31, 2014	Authorized	Payments	December 31, 2015
Columbia University	\$ 285,000	\$ 2,144,962	\$ 1,545,326	\$ 884,636
Computing Research Association	20,000	-	20,000	-
Coolidge Corner Theatre Foundation	-	748,392	350,000	398,392
Cornell University	100,000	735,970	535,970	300,000
Council for Economic Education	-	163,980	100,000	63,980
Council on Foreign Relations	714,059	-	400,000	314,059
Council on Foundations, Inc.	-	45,000	45,000	-
Council of Graduate Schools	-	141,472	141,472	-
Council on Library and Information Resources	239,092	738,756	804,095	173,753
Creative Visions	-	866,281	666,281	200,000
CUNY TV Foundation	382,200	481,100	663,300	200,000
Dartmouth College	307,163	-	307,163	-
Data & Society Research Institute	-	49,975	49,975	-
Delaware, University of	-	50,000	50,000	-
Digital Public Library of America, Inc.	-	2,026,628	1,124,919	901,709
Drexel University	237,897	-	116,472	121,425
Duke University	99,951	458,903	349,951	208,903
Emory University	-	10,165	10,165	-
Ensemble Studio Theatre, Inc.	597,000	-	597,000	-
Environmental Defense Fund Incorporated	127,125	600,000	727,125	-
Fedcap Rehabilitation Services, Inc.	-	124,828	124,828	-
Film Independent, Inc.	535,628	-	410,628	125,000
Forsyth Institute	120,000	-	60,000	60,000
Foundation Center	-	75,000	75,000	-
FPF Education and Innovation Foundation	-	75,000	75,000	-
Friends of NTU	-	125,000	125,000	-
Fund for the City of New York	855,000	780,000	280,000	1,355,000
Fund for Public Health in New York, Inc.	-	1,044,516	500,000	544,516
Georgia Institute of Technology	-	50,000	50,000	-
Georgia State University	-	50,000	50,000	-
George Mason University	-	736,042	431,202	304,840
George Washington University	-	10,000	10,000	-
Graduate Center of The City University of New York	-	15,000	-	15,000
Greater Washington Educational Telecommunications Association Inc.	700,000	-	600,000	100,000
GuideStar USA., Inc.	-	10,000	10,000	-
Harvard University	870,018	4,113,090	2,081,647	2,901,461
Hypothesis Project	20,000	-	20,000	-
Illinois Institute of Technology	60,000	-	60,000	-
Illinois, University of, Chicago	-	50,000	50,000	-
Illinois, University of, Urbana-Champaign	-	150,000	150,000	-
Indiana, University of	300,000	50,000	350,000	-
Institut de Physique du Globe de Paris	-	300,150	100,150	200,000
Institute for Advanced Study	-	121,543	121,543	-
Institute for the Future	-	35,000	-	35,000

*This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.*

**ALFRED P. SLOAN FOUNDATION**  
**Schedule of Grants and Appropriations**  
**For the year ended December 31, 2015**

Grantee	Unpaid	2015		Unpaid
	December 31, 2014	Authorized	Payments	December 31, 2015
Institute of International Education Inc.	\$ 500,000	\$ -	\$ 250,000	\$ 250,000
Institute on Science for Global Policy	-	125,000	125,000	-
International Energy Policy and Programme Evaluation Conf.	-	40,000	20,000	20,000
Iowa, University of	-	105,000	105,000	-
Johns Hopkins University	250,000	99,955	349,955	-
L.A. Theatre Works	250,000	-	125,000	125,000
Loyola University Chicago	-	207,000	112,125	94,875
Manhattan Theatre Club	-	725,000	325,000	400,000
Marine Biological Laboratory	400,000	1,250,000	1,050,000	600,000
Maryland Center for Environmental Science, University of	-	50,000	50,000	-
Maryland, University of, College Park	62,845	87,155	150,000	-
Massachusetts Institute of Technology	1,536,798	614,718	1,612,562	538,954
Miami Foundation, Inc.	-	640,000	480,000	160,000
Michigan, University of	1,169,918	869,347	1,606,026	433,239
Michigan, University of, Ann Arbor	60,000	-	60,000	-
Minnesota, University of	-	50,000	50,000	-
Missouri, University of	-	50,000	50,000	-
Mozilla Foundation	409,740	-	409,740	-
Museum of the Moving Image	75,000	-	75,000	-
Mycological Society of America	-	28,500	-	28,500
National Academy of Sciences	845,000	(80,000)	495,000	270,000
National Academy of Social Insurance	64,969	-	64,969	-
National Action Council for Minorities in Engineering, Inc.	3,718,075	2,000,000	2,785,000	2,933,075
National Bureau of Economic Research, Inc.	1,150,641	3,233,022	2,395,009	1,988,654
National Geographic Society	-	48,539	48,539	-
National Information Standards Organization	-	48,943	-	48,943
National Opinion Research Center	559,715	-	559,715	-
National Public Radio, Inc.	-	550,000	300,000	250,000
Natural Heritage Trust	-	25,000	25,000	-
New America	-	20,000	20,000	-
New School for Social Research	-	960,000	560,000	400,000
New Venture Fund	-	180,000	180,000	-
New York Academy of Sciences	-	12,000	12,000	-
New York Botanical Garden	555,244	-	300,000	255,244
New York Genome Center, Inc.	-	3,000,000	3,000,000	-
New York Public Radio	1,000,000	-	600,000	400,000
New York University	1,543,002	1,409,289	1,305,270	1,647,021
North Carolina State University	147,161	50,000	197,161	-
North Carolina, University of, at Chapel Hill	-	200,000	200,000	-
Northern Arizona University	-	239,775	139,775	100,000
Northeastern University	-	50,000	50,000	-
Northwestern University	15,000	358,536	215,000	158,536
NumFOCUS	10,000	20,000	30,000	-

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**ALFRED P. SLOAN FOUNDATION**  
**Schedule of Grants and Appropriations**  
**For the year ended December 31, 2015**

Grantee	Unpaid	2015		Unpaid
	December 31, 2014	Authorized	Payments	December 31, 2015
Ohio State University	\$ -	\$ 50,000	\$ 50,000	\$ -
Open Knowledge Foundation	-	690,575	440,575	250,000
Oregon Health & Science University	-	50,000	50,000	-
Oregon State University	-	119,444	119,444	-
Oregon, University of	-	1,525,000	825,000	700,000
Ottawa, University of	300,000	50,000	350,000	-
PBS Foundation	300,000	-	300,000	-
Pennsylvania, University of	100,000	976,472	600,000	476,472
Philanthropy New York	-	28,000	28,000	-
Phoenix Bioinformatics	-	498,945	498,945	-
Pittsburgh, University of	-	123,728	-	123,728
Princeton University	461,735	224,755	462,835	223,655
PRX Incorporated	150,000	500,000	400,000	250,000
Purdue University	218,961	-	110,000	108,961
RAND Corporation	398,975	369,404	620,507	147,872
Rice University	-	50,000	50,000	-
Richard Rhodes	60,000	-	60,000	-
Rensselaer Polytechnic Institute	300,000	100,395	400,395	-
Research Foundation of the City University of New York	751,925	-	375,000	376,925
Resources for the Future, Inc.	268,590	1,073,705	946,949	395,346
Rhode Island, University of	350,000	-	350,000	-
Rochester, University of	-	50,000	50,000	-
Rockefeller Philanthropy Advisors	-	30,000	30,000	-
Rockefeller University	-	1,500,000	350,000	1,150,000
Rutgers, The State University of New Jersey	-	99,724	99,724	-
San Francisco Film Society	-	417,500	217,500	200,000
Santa Fe Institute	-	15,000	15,000	-
Science Festival Foundation	-	1,350,000	750,000	600,000
Science Friday Initiative, Inc.	225,000	-	225,000	-
Shetterly, Margot Lee	15,000	-	15,000	-
Simon Fraser University	-	50,000	50,000	-
Smithsonian Institution	199,862	-	199,862	-
Society for Human Resources Management Foundation	109,650	-	109,650	-
SoundVision Productions	289,044	-	289,044	-
South Florida, University of	-	75,000	75,000	-
Southern California, University of	119,450	572,896	468,734	223,612
Southern Regional Education Board	-	999,645	300,000	699,645
Stanford University	712,416	1,701,593	1,405,152	1,008,857
Stony Brook University	-	50,000	50,000	-
Sundance Institute	-	500,000	300,000	200,000
Syracuse University	60,000	53,900	113,900	-

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**ALFRED P. SLOAN FOUNDATION**  
**Schedule of Grants and Appropriations**  
**For the year ended December 31, 2015**

Grantee	Unpaid	2015		Unpaid
	December 31, 2014	Authorized	Payments	December 31, 2015
System, University, of Maryland Foundation, Inc.	\$ -	\$ 124,775	\$ -	\$ 124,775
Technology Affinity Group	-	5,000	5,000	-
Tennessee, University of	-	76,364	76,364	-
Texas A&M University	-	20,000	20,000	-
Texas, University of, Austin	105,506	630,060	455,506	280,060
Texas, University of, Dallas	-	50,000	50,000	-
The Brookings Institution	300,000	-	100,000	200,000
The Conversation	150,000	-	-	150,000
The Goodly Institute	-	9,000	9,000	-
The Graduate Center Foundation, Inc.	-	27,000	27,000	-
Toronto, University of	100,000	416,035	516,035	-
Tribeca Film Institute	-	1,008,011	608,011	400,000
Tulsa, University of	140,000	-	140,000	-
Urban Institute	-	474,087	300,000	174,087
Utah, University of	-	50,000	50,000	-
University College London	-	50,000	-	50,000
Virginia Polytechnic Institute and State University	100,000	-	100,000	-
Virginia, University of	-	50,000	50,000	-
Washington, University of	250,000	306,475	306,475	250,000
Washington University in St. Louis	-	50,000	50,000	-
Waterloo, University of	-	50,000	50,000	-
WGBH Educational Foundation	1,025,000	2,500,000	1,875,000	1,650,000
Weill Cornell Medical College	-	119,830	119,830	-
Wikimedia Foundation	1,750,000	-	750,000	1,000,000
Wisconsin, University of, Madison	341,595	50,000	234,909	156,686
WNET.ORG	400,000	100,000	400,000	100,000
Wolfram Foundation	-	70,600	70,600	-
Woodrow Wilson International Center for Scholars	175,000	-	175,000	-
Yale University	842,224	356,641	841,641	357,224
<b>Total</b>	<b>\$ 45,457,829</b>	<b>\$ 81,252,522</b>	<b>\$ 79,170,701</b>	<b>\$ 47,539,650</b>
Sloan research fellowships to be granted in ensuing year	\$ 6,300,000	\$ 630,000	\$ -	\$ 6,930,000
Other appropriations authorized but not committed	864,386	626,618	878,096	612,908
	52,622,215	82,509,140	80,048,796	55,082,558
Refunded grants	-	(351,424)	(351,424)	-
Reduction for grant transfers	-	(667,831)	(667,831)	-
	<b>\$ 52,622,215</b>	<b>\$ 81,489,885</b>	<b>\$ 79,029,542</b>	<b>\$ 55,082,558</b>

*This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.*