

The Ford Foundation
Financial Statements
As of December 31, 2016 and 2015

The Ford Foundation
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December 31, 2016 and 2015

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Report of Independent Auditors

To The Board of Trustees
of The Ford Foundation:

We have audited the accompanying financial statements of The Ford Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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 our 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, we consider 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 Ford Foundation at December 31, 2016 and 2015, 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.

PricewaterhouseCoopers LLP

June 8, 2017

The Ford Foundation
Statements of Financial Position
As of December 31, 2016 and 2015

<i>(in thousands)</i>	December 31,	
	<u>2016</u>	<u>2015</u>
Assets		
Investments, at fair value	\$ 11,878,600	\$ 11,599,122
Subscription paid in advance to limited marketability funds	21,100	50,000
Redemption proceeds receivable	203,824	249,761
Accrued interest and dividends receivable	2,448	4,342
	<u>12,105,972</u>	<u>11,903,225</u>
Cash	5,953	10,509
Federal excise tax receivable	1,200	-
Investment related receivables	28,053	2,584
Other receivables and assets	8,378	7,828
Program-related investments, net of allowances for possible losses of \$24,890 and \$26,446 at December 31, 2016 and 2015, respectively	155,292	175,774
Fixed assets, net of accumulated depreciation of \$112,666 and \$128,854 at December 31, 2016 and 2015, respectively	59,911	29,699
Total assets	<u>\$ 12,364,759</u>	<u>\$ 12,129,619</u>
Liabilities and Unrestricted Net Assets		
Unpaid grants	\$ 374,476	\$ 286,093
Payables and other liabilities	69,364	71,166
Investment related payables	18,828	2,098
Derivative liabilities	19,609	13,518
Federal Deferred excise taxes	44,361	32,643
Total liabilities	<u>526,638</u>	<u>405,518</u>
Contingencies, commitments and guarantees (Note 6)		
Unrestricted net assets		
Appropriated	1,212,548	183,737
Unappropriated	10,625,573	11,540,364
Total unrestricted net assets	<u>11,838,121</u>	<u>11,724,101</u>
Total liabilities and unrestricted net assets	<u>\$ 12,364,759</u>	<u>\$ 12,129,619</u>

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

The Ford Foundation
Statements of Activities
For The Year Ended December 31, 2016 and 2015

<i>(in thousands)</i>	December 31,	
	<u>2016</u>	<u>2015</u>
Operating activities		
Income		
Dividends	\$ 52,532	\$ 47,891
Interest	16,605	18,509
Realized appreciation on investments, net	148,502	420,302
Unrealized appreciation (depreciation) on investments, net	585,913	(126,163)
Expenses incurred in the production of income	<u>(30,256)</u>	<u>(29,281)</u>
Total income	<u>773,296</u>	<u>331,258</u>
Expenditures		
Program activities		
Grants approved	526,405	599,751
Provision for possible losses on program-related investments	(1,036)	16
Direct conduct of charitable activities	9,899	9,565
Program management	<u>48,456</u>	<u>48,072</u>
Total program activities	583,724	657,404
General management	54,274	44,552
Provision for federal excise tax		
Current	4,226	5,903
Deferred	11,718	(2,523)
Depreciation	<u>8,747</u>	<u>6,296</u>
Total expenditures	<u>662,689</u>	<u>711,632</u>
Change in unrestricted net assets from operating activities	110,607	(380,374)
Non-operating activities		
Pension-related and post-retirement changes other than net periodic pension costs		
	<u>3,413</u>	<u>9,380</u>
Change in unrestricted net assets	114,020	(370,994)
Unrestricted net assets		
Beginning of year	<u>11,724,101</u>	<u>12,095,095</u>
End of year	<u>\$ 11,838,121</u>	<u>\$11,724,101</u>

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

The Ford Foundation
Statements of Cash Flows
For The Year Ended December 31, 2016 and 2015

(in thousands)

	December 31,	
	2016	2015
Cash flows from operating activities		
Change in unrestricted net assets	\$ 114,020	\$ (370,994)
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities		
Realized appreciation on investments, net	(148,502)	(420,302)
Unrealized appreciation on investments, net	(585,913)	126,163
Depreciation	8,747	6,296
Post-retirement changes other than net periodic pension costs	(3,413)	(9,380)
Provision for possible losses on program-related investments	(1,036)	16
Increase (decrease) in deferred federal excise tax liability	11,718	(2,523)
(Increase) decrease in federal excise tax receivable	(1,200)	1,400
Increase in other receivables and assets	(550)	(577)
Grant approvals	526,405	599,751
Grant payments	(438,022)	(507,240)
Decrease in payables and other liabilities	1,611	3,929
Net cash used in operating activities	<u>(516,135)</u>	<u>(573,461)</u>
Cash flows from investing activities		
Proceeds from sale of investments	2,545,725	2,495,356
Purchase of investments	(2,084,588)	(1,873,548)
Change in subscription paid in advance to limited marketability funds	28,900	42,000
Change in redemption proceeds receivable	45,937	(125,720)
Change in accrued interest and dividends receivable	1,894	(2,059)
Change in investment related receivables	(25,503)	15,558
Change in investment related payables	16,655	1,605
Loans disbursed for program-related investments	(5,276)	(6,672)
Repayments of program-related investments	26,794	22,792
Purchase of fixed assets	(38,959)	(7,659)
Net cash provided by investing activities	<u>511,579</u>	<u>561,653</u>
Net decrease in cash	(4,556)	(11,808)
Cash		
Beginning of period	<u>10,509</u>	<u>22,317</u>
End of period	<u>\$ 5,953</u>	<u>\$ 10,509</u>

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

The Ford Foundation
Notes to Financial Statements
As of December 31, 2016 and 2015

1. Summary of Significant Accounting Policies

The financial statements of The Ford Foundation ("the foundation") are prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP).

The significant accounting policies followed are set forth below:

Investments, at Fair Value

The foundation makes investments by either directly purchasing various financial positions, or purchasing a portion of an investment fund's partnership capital or shares representing a net assets value ("NAV") investment. Directly owned positions are classified for financial reporting purposes as equities, fixed income or short-term investments. NAV investments in funds are classified for financial reporting as either commingled or limited marketability funds.

Equity investments are directly held securities, primarily publicly traded. Equities are generally valued based upon the final sale price as quoted on the primary exchange or at the bid price if the final sale price is not quoted. Private equities are valued using market transactions when available. If such transactions do not exist, private securities are valued as determined by the foundation. Fixed income investments are generally valued based upon quoted market or bid prices from brokers and dealers, which represent fair value. Short-term investments generally include cash and cash equivalents as well as credit or debt securities with maturities of less than one year. These credit or debt securities may include US government and agency obligations, repurchase agreements, commercial paper, and similar short-term securities. Short-term investments for which market prices are not available are valued at amortized cost, which approximates fair value.

Commingled funds are NAV investments in partnerships or investment companies where the foundation has significant transparency into the underlying positions in the commingled funds and that have no significant restrictions on redemption rights. For commingled funds the NAV is determined by either an exchange or the respective general partners or investment managers. The underlying positions, owned by the commingled funds, include such investments as exchange traded and over the counter securities. The foundation generally has the ability to redeem capital from commingled funds monthly or more frequently.

Limited marketability funds are NAV investments in private equity, venture capital, hedge funds, and other private investment entities. The foundation has significant transparency into the underlying positions of the private equity and venture capital funds. The foundation cannot independently assess the value of these underlying positions through a public exchange or over the counter market. The foundation generally has restricted redemption rights for limited marketability funds other than private equity, venture capital, and similar funds where distribution of proceeds is at the sole discretion of the general partner or investment manager.

The foundation follows the concept of the "practical expedient" under GAAP. The practical expedient is an acceptable method under GAAP to determine the fair value of certain NAV investments that (a) do not have a readily determinable fair value predicated upon a public market and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company under GAAP. As such, NAV investments are presented in the accompanying financial statements at fair value, as determined by the foundation. Such fair value generally represents the foundation's proportionate share of the net assets of the NAV investment as reported by the underlying investment managers or general partners. Accordingly, the fair value NAV investments is generally increased by additional contributions and the foundation's share of net earnings from the NAV investments and decreased by distributions and the foundation's share of net losses from the NAV investments.

The foundation believes that the carrying amount of its NAV investments is a reasonable estimate of fair value as of December 31, 2016 and December 31, 2015. Because these investments are not readily marketable, the estimated value is subject to uncertainty, therefore, results may differ from the value that would have been used had a ready market for these investments existed and such differences could be material.

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Notes to Financial Statements

As of December 31, 2016 and 2015

Investment Transactions and Income and Expenses

For directly owned positions, transactions are recorded on a trade date basis. Realized and unrealized appreciation (depreciation) on investments is determined by comparison of specific costs of acquisition (identified lot basis) to proceeds at the time of disposal, or market values at the last day of the period, respectively, and includes the effects of currency translation with respect to transactions and holdings of foreign securities. Dividend income is recorded on ex-dividend date and interest income is recorded on an accrual basis. For unsettled sales or purchases as of the reporting period date, the sales proceeds or purchase price are recorded as investment related receivables or payables, respectively and are included on the Statements of Financial Position.

Purchases and sales of securities include "in-kind" distributions from underlying private equity funds of \$208.5 million. Realized gains on disposition of distributed securities totaling \$42.4 million is reflected in the Statements of Activities.

For shares or partnership interests in securities or NAV Investments, transactions are recorded on a trade date basis. For unsettled sales or purchases as of the reporting period date, the sales proceeds or purchase price are recorded as subscription paid in advance or redemption proceeds receivable, respectively and are included on the Statements of Financial Position. For NAV investments in which the foundation owns shares of an investment fund, realized and unrealized appreciation (depreciation) on investments is determined by comparison of specific costs of acquisition (identified lot basis) to proceeds at the time of disposal, or fair value at the last day of the period, respectively, and includes the effects of currency translation with respect to transactions and holdings of foreign currency denominated holdings. Dividends and interest are recognized as allocated by the investment manager. The amount of realized and unrealized appreciation (depreciation) associated with these investments is reflected in the accompanying Statements of Activities.

For NAV investments in which the foundation owns a portion of an investment fund's partnership capital, unrealized appreciation (depreciation) is determined by comparison of cost of acquisition of the partnership interests to fair value at the last day of the period, and includes the effects of currency translation with respect to transactions and holdings of foreign currency denominated investments. Realized appreciation (depreciation) on redemption of partnership interests is determined as allocated by the general partners of the respective partnership, or by comparison of specific costs of acquisition to proceeds at the time of disposal if an allocation is not indicated by the general partners of the respective partnership. Dividends and interest are recognized as allocated by the general partners. The amount of realized and unrealized appreciation (depreciation) associated with these investments is reflected in the accompanying Statements of Activities.

Fair Value Measurements

In accordance with GAAP, the foundation discloses its assets and liabilities, recorded at fair value into the "fair value hierarchy". GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the foundation has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices which are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and refer to the assumptions that market participant use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is

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significant to the fair value measurement. The foundation considers observable data to be market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the fair value hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the foundation's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets are classified as Level 1 and generally include cash equivalents and exchange traded investment instruments. The foundation does not adjust the quoted price for such instruments, even in situations where the foundation holds a large position and a sale of all its holdings could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active under the accounting definition, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified as Level 2. Such inputs may include model based valuation techniques. These investments include certain US government and sovereign obligations, government agency obligations, asset backed securities, derivatives, and other investment with observable pricing inputs.

Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value are based upon the best information in the circumstance and may require significant management judgment. Investments classified as Level 3 generally include securities for which no active market or dealer quote exists.

Derivative Instruments

The foundation records all derivative instruments and hedging activities at fair value. The fair value adjustment is recorded directly to the invested asset and recognized as unrealized appreciation (depreciation) in the accompanying Statements of Activities.

The foundation utilizes a variety of derivative instruments and contracts including futures, forwards, swaps, and options for trading and hedging purposes with each instrument's primary risk exposure being interest rate, credit, foreign exchange, commodity, or equity risk, as well a combination of secondary risk factors. Such contracts involve, to varying degrees, risks of loss from the possible inability of counterparties to meet the terms of their contracts.

The foundation enters into forward foreign currency contracts whereby it agrees to exchange one currency for another on an agreed-upon date at an agreed-upon exchange rate to minimize the exposure of certain of its investments to adverse fluctuations in currency markets.

The foundation enters into futures contracts whereby it is obligated to deliver or receive (although the contracts are generally settled in cash) various US government debt instruments at a specified future date. The foundation engages in futures to increase or decrease its exposure to interest rate movements and spreads.

The foundation enters into interest rate forwards, contracts, and swaps whereby it is obligated to either pay or receive a fixed interest rate on a specified notional amount and receive or pay a floating interest rate on the same notional amount. The floating rate is generally calculated as a spread amount added to or subtracted from a specified London Inter-Bank Offering Rate (LIBOR) indexed interest rate. The foundation enters into such contracts to manage its interest rate exposure and to profit from potential movements in interest rate spreads. The market value and unrealized gains or losses on interest rate swaps are affected by actual movements of and market expectations of changes in current market interest rates.

The foundation enters into credit default swaps to simulate long and short credit positions that are either unavailable or considered to be less attractively priced in the bond market. The foundation uses these swaps to reduce risk where it has exposure to the issuer, or to take an active long or short position with respect to the likelihood of an event of default. The reference obligation of the swap can be a single issuer, a "basket" of issuers, or an index. The underlying referenced assets can include corporate debt, sovereign debt and asset backed securities.

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The buyer of a credit default swap is generally considered to be “receiving protection” in the event of an adverse credit event affecting the underlying reference obligation, and the seller of a credit default swap is generally considered to be “providing protection” in the event of such credit event. The buyer is generally obligated to pay the seller a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event for corporate or sovereign reference obligations means bankruptcy, failure to pay, obligation acceleration, repudiation/moratorium or restructuring. For credit default swaps on asset-backed securities, a credit event may be triggered by events such as failure to pay principal, maturity extension, rating downgrade or write-down. If a credit event occurs, the seller typically must pay the contingent payment to the buyer, which is typically the par value (full notional value) of the reference obligation, though the actual payment may be mitigated by terms of the International Swaps and Derivative Agreement (ISDA), allowing for netting arrangements and collateral. The contingent payment may be a cash settlement or a physical delivery of the reference obligation in return for payment of the face amount of the obligation. If the foundation is a buyer and no credit event occurs, the foundation may lose its investment and recover nothing. However, if a credit event occurs, the buyer typically receives full notional value for a reference obligation that may have little or no value. As a seller, the foundation receives a fixed rate of income throughout the term of the contract, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligation.

Credit default swaps are carried at their estimated fair value, as determined in good faith by the foundation. In determining fair value, the foundation considers the value provided by the counterparty as well as the use of a proprietary model. In addition to credit quality, a variety of factors are monitored including cash flow assumptions, market activity, market sentiment and valuation as part of its ongoing process of assessing payment and performance risk. As payment and performance risk increases, the value of a credit default swap increases. Conversely, as payment and performance risk decreases, unrealized appreciation is recognized for short positions and unrealized depreciation is recognized for long positions. Any current or future declines in the fair value of the swap may be partially offset by upfront payments received by the foundation as a seller of protection if applicable.

Credit default swaps may involve greater risks than if the foundation had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and counterparty credit risk. The foundation enters into credit default swaps with counterparties meeting management’s defined criteria for financial strength. The list of approved counterparties is reviewed periodically by management and a potential counterparty is removed if it no longer meets the foundation’s criteria.

The foundation enters into resale agreements in which the foundation purchases financial instruments from a seller in exchange for cash, and simultaneously enters into an agreement to resell the same or substantially the same financial instruments to the seller at a stated price plus accrued interest at a future date. Even though resale agreements involve the legal transfer of ownership of financial instruments, they are accounted for as collateralized financing transactions as opposed to purchases because they require the financial instruments to be resold at the maturity of the agreement. They are recorded at their contracted resell amounts.

The foundation receives financial instruments, typically U.S. government securities, purchased under resale agreements and monitors the market value of these financial instruments on a daily basis. The foundation obtains additional collateral due to changes in the market value of the financial instruments, as appropriate.

Reclassifications

Certain 2015 amounts have been reclassified to conform to the 2016 presentation.

Cash

Cash consists of cash on hand and held in bank accounts. At times, such deposits may be in excess of federally insured amounts.

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Program-Related Investments

The foundation invests in projects that advance philanthropic purposes. These program-related investments are generally loans outstanding for up to 10 years bearing interest at 1%. These loans are treated as qualifying distributions for tax reporting purposes. Loans are monitored to determine net realizable value based on an evaluation of recoverability that utilizes experience and may reflect periodic adjustments to terms as deemed appropriate. Program related investments are recorded when disbursed.

Fixed Assets

Land, buildings, furniture, equipment and leasehold improvements owned by the foundation are recorded at cost. Depreciation is charged using the straight-line method based on estimated useful lives of the particular assets generally estimated as follows: buildings, principally 50 years, furniture and equipment 3 to 15 years, and leasehold improvements over the lesser of the term of the lease or the life of the asset.

Expenditures and Appropriations

Committed grant expenditures are considered incurred at the time of approval provided the grant has no specified conditions to be met in a future period. For conditional grants, the grant expenditure and liability are recognized and recorded in the accounting period when the foundation determines that the specified conditions are met. Uncommitted appropriations that have been approved by the Board of Trustees are included in appropriated unrestricted net assets.

Taxes

The foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRS) and, accordingly, is not subject to federal income taxes. However, the foundation is subject to federal excise tax and unrelated business income tax because it is a private foundation in accordance with IRS regulations. The foundation accrues an expense for federal excise taxes payable.

The foundation accounts for uncertain tax positions when it is more likely than not that such an asset or a liability will be realized. As of December 31, 2016 and December 31, 2015 management believes there were no uncertain tax positions.

Risks and Uncertainties

The foundation uses estimates in preparing the financial statements which require management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities at the date of the Statements of Financial Position and the reported amounts of income and expenditures during the reporting period. Actual results may differ from these estimates and such differences could be material. The most significant estimates and assumptions relate to the valuation of investments, allowances for possible losses on program-related investments and assumptions used for employee benefit plans.

Measure of Operations

The foundation includes in its measure of operations (operating income over expenditures) all income that is an integral part of its programs and supporting activities. Non-operating activities include the gains and prior service costs and credits which arose during the period, but are not recognized as components of net periodic pension cost.

Related Party Transactions

For the years ended December 31, 2016 and 2015, the foundation approved grants totaling \$9.5 million and \$13.8 million, respectively to other not-for-profit organizations, whereby certain trustees jointly serve on the board of trustees of the foundation and these other organizations.

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Notes to Financial Statements
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2. Investments

Investments held consisted of the following as of:

<i>(in thousands)</i>	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Fair Value	Cost	Fair Value	Cost
Short term	\$ 348,268	\$ 348,231	\$ 388,326	\$ 388,668
Equities	200,030	106,409	236,633	133,299
Fixed income				
US government debt	582,679	583,678	522,287	523,951
Asset backed	107,097	95,135	133,168	126,973
Corporate Bonds	2,728	2,724	-	-
Commingled funds				
Equity related	521,556	529,244	602,734	631,192
Natural Resources related	117,482	108,543	85,689	108,276
Limited marketability funds				
Credit	42,635	132,521	53,245	51,359
Global equity	6,416,107	4,287,948	6,286,772	4,375,745
Natural Resources	748,086	888,772	546,410	890,445
Real assets	181,891	130,007	215,308	124,682
Private equity	974,859	990,159	902,243	1,039,921
Venture capital	1,635,182	1,437,578	1,626,307	1,559,073
Investments, at fair value	11,878,600	9,640,949	11,599,122	9,953,584
Subscription paid in advance to limited marketability funds	21,100	21,100	50,000	50,000
Redemption proceeds receivable	203,824	203,824	249,761	249,761
Accrued interest and dividends receivable	2,448	2,448	4,342	4,342
Total investments	\$ 12,105,972	\$ 9,868,321	\$ 11,903,225	\$ 10,257,687
Investment Related Receivables	28,053	28,053	2,584	2,550
Investment Related Payables	(18,828)	(18,828)	(2,098)	(2,173)
Derivative Liabilities	(19,609)	-	(13,518)	-
Total Investment Related Assets and Liabilities, Net	\$ 12,095,588	\$ 9,877,546	\$ 11,890,193	\$ 10,258,064

As of December 31, 2016 Short Term Investments consisted of cash and cash equivalents of \$115.6 million, maturing agency notes of \$38.0 million, and maturing US Treasury notes of \$194.7 million.

As of December 31, 2015 Short Term Investments consisted of cash and cash equivalents of \$28.5 million, maturing agency notes of \$100.0 million, and maturing US Treasury notes of \$259.8 million.

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The classification of investments by level within the valuation hierarchy as of December 31, 2016 is as follows:

<i>(in thousands)</i>	Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at NAV (Practical Expedient)	Total
Short term	\$ 115,573	\$ 232,695	\$ -	\$ -	\$ 348,268
Equities	197,087	1,742	1,201	-	200,030
Fixed income					
US government debt	-	582,679	-	-	582,679
Asset backed	-	107,097	-	-	107,097
Corporate Bonds	-	2,728	-	-	2,728
Commingled funds					
Equity related	-	-	-	521,556	521,556
Natural Resources related	-	-	-	117,482	117,482
Limited marketability funds					
Credit	-	-	-	42,635	42,635
Global equity	-	-	-	6,416,107	6,416,107
Natural Resources	-	-	-	748,086	748,086
Real assets	-	-	-	181,891	181,891
Private equity	-	-	-	974,859	974,859
Venture capital	-	-	-	1,635,182	1,635,182
Investments, at fair value	<u>\$ 312,660</u>	<u>\$ 926,941</u>	<u>\$ 1,201</u>	<u>\$ 10,637,798</u>	<u>\$ 11,878,600</u>
Subscription paid in advance to limited marketability funds					21,100
Redemption proceeds receivable					203,824
Accrued interest and dividends receivable					<u>2,448</u>
Total investments					<u>\$ 12,105,972</u>
Derivative Liabilities	-	<u>\$ (19,609)</u>	-	-	<u>\$ (19,609)</u>

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The classification of investments by level within the valuation hierarchy as of December 31, 2015 was as follows:

<i>(in thousands)</i>	Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at NAV (Practical Expedient)	Total
Short term	\$ 1,623	\$ 386,703	\$ -	\$ -	\$ 388,326
Equities	234,796	-	1,837	-	236,633
Fixed income					
US government debt	2,574	519,713	-	-	522,287
Asset backed	-	133,168	-	-	133,168
Corporate Bonds	-	-	-	-	-
Commingled funds					
Equity related	-	-	-	602,734	602,734
Natural Resources related	-	-	-	85,689	85,689
Limited marketability funds					
Credit	-	-	-	53,245	53,245
Global equity	-	-	-	6,286,772	6,286,772
Natural Resources	-	-	-	546,410	546,410
Real assets	-	-	-	215,308	215,308
Private equity	-	-	-	902,243	902,243
Venture capital	-	-	-	1,626,307	1,626,307
Investments, at fair value	<u>\$ 238,993</u>	<u>\$ 1,039,584</u>	<u>\$ 1,837</u>	<u>\$10,318,708</u>	<u>\$ 11,599,122</u>
Subscription paid in advance to limited marketability funds					50,000
Redemption proceeds receivable					249,761
Accrued interest and dividends receivable					4,342
					<u>\$ 11,903,225</u>
Total Investments					
Derivative Liabilities	-	\$ (13,518)	-	-	\$ (13,518)

The following table summarizes Level 3 activity as of December 31, 2016 and 2015.

Fair Value Measurements Using Level 3 Inputs:

<i>(in thousands)</i>	Balances at December 31, 2015	Purchases and Other Acquisitions	Net Transfers In/(out) of Level 3	Sales and Other Dispositions	Net Realized Appreciation	Net Unrealized Appreciation	Balances at December 31, 2016
Equities	\$ 1,837	\$ 1,255	\$ -	\$ (1,689)	\$ 368	\$ (570)	\$ 1,201
	<u>\$ 1,837</u>	<u>\$ 1,255</u>	<u>\$ -</u>	<u>\$ (1,689)</u>	<u>\$ 368</u>	<u>\$ (570)</u>	<u>\$ 1,201</u>
<i>(in thousands)</i>	Balances at December 31, 2014	Purchases and Other Acquisitions	Net Transfers In/(out) of Level 3	Sales and Other Dispositions	Net Realized Appreciation	Net Unrealized Appreciation	Balances at December 31, 2015
Equities	\$ 131	\$ 3,822	\$ -	\$ (1,638)	\$ 1,562	\$ (2,040)	\$ 1,837
Asset Backed	1,833	2	-	(1,846)	13	(2)	-
	<u>\$ 1,964</u>	<u>\$ 3,824</u>	<u>\$ -</u>	<u>\$ (3,484)</u>	<u>\$ 1,575</u>	<u>\$ (2,042)</u>	<u>\$ 1,837</u>

All net realized and unrealized appreciation (depreciation) in the table above is reflected in the accompanying financial statements.

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The foundation's policy is to recognize transfers between Levels 1, 2, or 3 as if they occurred as of the beginning of the reporting period.

For the years ended December 31, 2016 and December 31, 2015, there were no significant transfers between Levels 1, 2 and 3.

Based on the information made available to the foundation, there are no concentrations in any underlying individual security or issuer in amounts greater than 5% of the foundation's unrestricted net assets as of December 31, 2016 and December 31, 2015.

As of December 31, 2016 and December 31, 2015, the foundation has investments which have been valued using the NAV as a practical expedient with total market values of \$10.6 billion and \$10.3 billion, respectively.

The following table lists investments in investment funds (or similar entities) as of December 31, 2016 that have been valued using the NAV as a practical expedient, classified by major investment category:

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The following table lists investments in investment funds (or similar entities) as of December 31, 2015 that have been valued using the NAV as a practical expedient, classified by major investment category:

Category of Investment ¹	Investment Strategy and Structure ¹	Number of Investments ² Fair Value ³ (In thousands) Unfunded Commitments (in thousands)	Remaining Life ¹	Redemption Terms ¹	Redemption Restrictions and Terms ¹	Redemption Restrictions and Terms in Place at Year End ¹
(Private Equity and Venture Capital) 4	Investments in the equity and credit of primarily private companies through private partnerships and holding companies	193 \$ 2,528,550 \$ 660,423	Generally up to 15 years but dependent upon investment circumstances	Redemption not permitted during the life of the fund. Distributions may be made at the discretion of the general partners.	Not applicable – no redemption ability.	Not applicable – no redemption ability.
(Alternative Investment Funds) 5	Investments in hedge funds, global equity, credit, real assets, natural resources, and other investments through private partnerships and holding companies	124 \$ 7,101,735 \$ 970,209	Open Ended	Ranges between monthly redemption with 5 days notice, to rolling 5-years redemption with 180 days notice. Certain funds have no redemption rights until dissolution of the funds.	Initial Lockups: 1 year or less: 52% 1-2 years: 14% Over 2 years: 21% No redemption rights: 13% Redemption Frequency: Monthly: 12% Quarterly: 25% 1 year or less: 38% Over 1 Year: 12% No redemption rights: 13% Redemption gates: Up to 50% Early Redemption Fees: up to 10%	Current Redemption Ability: 6 months or less: 67% 6 months to 1 year: 7% Over 1 years: 13% No redemption rights: 13% Total side pockets or restricted assets across the funds are less than 5% of the total investment amount.
Commingled Funds 6	Investment in global equity, real assets, natural resources, and other investments through commingled fund structures	3 \$ 688,422 \$ -	Open Ended	Daily to monthly redemption with 1 to 30 days notice period	Subject to the ability to withdraw capital from the underlying funds. This is dependent upon the liquidity of the underlying assets and is subject to the discretion of the Fund Manager.	Subject to the ability to withdraw capital from the underlying funds.

- (1) Information reflects a range of various terms from multiple investments.
- (2) The approximate number of outstanding investments including investments with unfunded commitments but no current balance as of December 31, 2016 and December 31, 2015.
- (3) The total fair value of these investments valued using the NAV as a practical expedient.
- (4) Generally refers to investments in private partnerships or investment funds focusing on equity or credit investments in private companies. The partnerships or funds generally have no redemption rights; the general partners of the respective funds issue capital calls and distributions. These funds generally provide the NAV or capital balances and changes quarterly or less frequently. Performance fees are generally collected by the general partner or investment manager only upon a distribution of profits to investors.
- (5) Generally refers to investments in private partnerships or investment funds focusing on a broad range of investment activities including Credit, Global Equity, Natural Resource, and Real Asset investments. These funds generally have periodic limited redemption rights, asset and performance based fee structures. They provide the NAV or capital balances and changes monthly or less frequently.

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- (6) Generally refers to investments in private partnerships or investment funds focusing on a broad range of investment activities including equity and natural resources related investments. These funds generally have short-term redemption and investment ability. They provide the NAV or capital balances and changes monthly or more frequently. Commingled funds generally do not have performance based fee structures.

Derivative Instruments

As of December 31, 2016 and December 31, 2015, the foundation had no foreign currency contracts outstanding.

As of December 31, 2016, the foundation had no futures contracts on fixed income securities. As of December 31, 2015 the foundation had futures contracts on fixed income securities with notional amounts totaling \$2.6 million. Changes in the value of futures contracts are recognized as unrealized appreciation (depreciation) until such contracts are closed.

As of December 31, 2016, the foundation had no interest rate swaps. As of December 31, 2015, the foundation had interest rate swaps in which the foundation was receiving a fixed interest rate with notional amounts totaling \$10.7 million. As of December 31, 2015, the maximum potential payments to be made under these interest rate swaps was \$2.4 million. The foundation has posted cash collateral to swap counterparties in the amount of \$0.1 million.

As of December 31, 2016 and December 31, 2015, the foundation had forward starting interest rate swaps in which the foundation will pay a fixed interest rate with notional amounts totaling \$250.0 million. As of December 31, 2016 and December 31, 2015 the maximum potential payments to be made under these interest rate swaps was \$225.0 million. The foundation is not required to post cash collateral to swap counterparties. As of December 31, 2016 and December 31, 2015 the derivative liability associated with forward starting interest rate swaps was \$19.6 million and \$13.5 million, respectively.

As of December 31, 2016 and December 31, 2015, the foundation had no credit default swaps outstanding.

At December 31, 2016 and December 31, 2015, the foundation had no resale agreements outstanding. Cash loaned by the foundation pursuant to resale agreements is included within Investments on the Statement of Financial Position. Accrued interest related to resale agreements is included within Accrued interest and dividends receivable on the Statement of Financial Position. Interest income earned on these transactions is included in the Statements of Activities.

The following table lists fair value of derivatives by contract type as included within the Statements of Financial Position as of December 31, 2016.

<i>(in thousands)</i>	<u>Notional/ Contractual Amount</u>	<u>Gross Derivative Assets</u>	<u>Gross Derivative Liabilities</u>
Derivative type*			
Interest rate contracts	\$ 250,000	\$ -	\$ 19,609
Fixed income futures contracts	-	-	-
Rights and warrants	53	26	-
Index Swaptions	2,000,000	14,285	-
Equity Index Options	80,000	1,742	-
		<u>16,054</u>	<u>19,609</u>
Carrying value of derivatives on the statements of financial position		<u>\$ 16,054</u>	<u>\$ 19,609</u>

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The following table lists fair value of derivatives by contract type as included within investments in the Statements of Financial Position as of December 31, 2015.

<i>(in thousands)</i>	<u>Notional/ Contractual Amount</u>	<u>Gross Derivative Assets</u>	<u>Gross Derivative Liabilities</u>
Derivative type*			
Interest rate contracts	\$ 260,703	\$ 109	\$ 13,518
Fixed income futures contracts	2,574	-	-
Rights and warrants	103	62	-
Index Swaptions	-	-	-
Equity Index Options	-	-	-
		<u>171</u>	<u>13,518</u>
Carrying value of derivatives on the statements of financial position		<u>\$ 171</u>	<u>\$ 13,518</u>

The notional amounts reflected in the above tables, are indicative of the volume of derivative transactions for the year ended December 31, 2016 and 2015.

The following table indicates the appreciation (depreciation) on derivatives, by contract type, as included in the Statements of Activities for the year ended December 31, 2016

<i>(in thousands)</i>	<u>Appreciation/(Depreciation) Year Ended December 31, 2016</u>
Derivative type	
Interest rate contracts	\$ (6,434)
Fixed income futures contracts	(103)
Rights and warrants	(36)
Index Swaptions	9,500
Equity Index Options	(267)
Foreign currency contracts	(9)
Credit default swaps	(47)
	<u>\$ 2,604</u>

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The following table indicates the appreciation on derivatives, by contract type, as included in the Statements of Activities as of December 31, 2015

<i>(in thousands)</i>	Appreciation/(Depreciation) Year Ended December 31, 2015
Derivative type	
Interest rate contracts	\$ (14,087)
Fixed income futures contracts	(111)
Index Swaptions	-
Rights and warrants	(3)
Foreign currency contracts	1
Credit default swaps	-
	<u>\$ (14,200)</u>

The above appreciation on derivatives has been recognized as realized or unrealized appreciation on investments on the Statements of Activities.

Credit-Risk Contingent Features

The foundation's derivative contracts generally contain provisions whereby if the foundation were to default on its obligations under the contract, or if the foundation were to terminate the management agreement of the investment manager who entered into the contract on the foundation's behalf, or if the assets of the foundation were to fall below certain levels, the counterparty could require full or partial termination, or replacement of the derivative instruments.

Counterparty Credit Risk

By using derivative instruments, the foundation is exposed to the counterparty's credit risk - the risk that derivative counterparties may not perform in accordance with the contractual provisions offset by the value of any collateral received. The foundation's exposure to credit risk associated with counterparty nonperformance is limited to the unrealized appreciation inherent in such transactions that are recognized in the Statements of Financial Position as well as the value of the foundation's collateral assets held by the counterparty. The foundation minimizes counterparty credit risk through rigorous review of potential counterparties, appropriate credit limits and approvals, credit monitoring procedures, executing master netting arrangements and managing margin and collateral requirements, as appropriate. The foundation records counterparty credit risk valuation adjustments, if material, on certain derivative assets in order to appropriately reflect the credit quality of the counterparty. These adjustments are also recorded on the market quotes received from counterparties or other market participants since these quotes may not fully reflect the credit risk of the counterparties to the derivative instruments.

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3. Fixed Assets

As of December 31, 2016 and 2015 fixed assets are comprised of:

<i>(in thousands)</i>	<u>As of December 31, 2016</u>	<u>As of December 31, 2015</u>
Land	\$ 4,440	\$ 4,440
Buildings, net of accumulated depreciation of \$25,982 and \$41,469 at December 31, 2016 and 2015, respectively	31,384	11,581
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$86,684 and \$87,385 at December 31, 2016 and 2015, respectively	<u>24,087</u>	<u>13,678</u>
	<u>\$ 59,911</u>	<u>\$ 29,699</u>

4. Provision for Taxes

The Internal Revenue Code imposes an excise tax on private foundations equal to 2 percent of net investment income, which is defined as interest, dividends and net realized gains less expenses incurred in the production of income. The tax is reduced to 1 percent for foundations that meet certain distribution requirements under Section 4940(e) of the Internal Revenue Code.

The current provision for federal excise tax is based on net investment income using a 1 percent rate for the year ended December 31, 2016 and 2015. The deferred provision is based on a 2 percent rate on cumulative net unrealized gains for both the year ended December 31, 2016 and 2015. The current tax provision for federal excise tax on net investment income is \$4.2 million and \$5.9 million for the year ended December 31, 2016 and 2015, respectively. The foundation had a cumulative unrealized gain that resulted in a \$44.4 million deferred tax liability for the year ended December 31, 2016 based on the change in net unrealized appreciation of investments at 2 percent. Excise taxes of \$5.3 million were paid during the year ended December 31, 2016. Certain income defined as unrelated business taxable income by the code may be subject to tax at ordinary corporate rates. The state taxes on unrelated business income are immaterial for the year ended December 31, 2016.

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5. Retirement Plans

The foundation's defined contribution plans covered substantially all New York appointed employees. Employees who were locally appointed by overseas offices were covered by other retirement arrangements.

The Savings Plan is a defined contribution plan, as defined under Internal Revenue Code (IRC) Section 403(b)7 is established by the foundation to provide retirement benefits to eligible employees. The Retirement Plan, another defined contribution plan, consisting primarily of employer contributions was amended so effective November 2, 2011, any newly hired employees will not be eligible to become participants of the plan.

In addition, the foundation provides retirees with at least five years of service and who are at least age 55 with other postretirement benefits which include medical, dental and life insurance. Employees hired on or after June 1, 2009 will be eligible for postretirement medical and dental benefits when they retire with at least 10 years of service and who are at least age 65. No employee hired on or after January 1, 2013 shall be considered a retiree under the Plan. The other postretirement benefits are partially funded in advance through a Voluntary Employees' Beneficiary Association (VEBA). GAAP allows unrecognized amounts (e.g., net actuarial gains or losses and prior service cost or credits) to be recognized as non-operating activities and that those amounts be adjusted as they are subsequently recognized as components of net periodic pension cost.

	Other Postretirement Benefits	
	As of December 31, 2016	As of December 31, 2015
<i>(in thousands)</i>		
Benefit obligation	\$ 93,416	\$ 94,229
Fair value of plan assets	45,085	46,878
Funded (unfunded) status and amounts recognized in the statements of financial position	<u>(48,331)</u>	<u>(47,351)</u>
Accumulated benefit obligation		
Accumulated non-operating activities consist of		
Prior service cost	-	-
Net actuarial loss	24,880	28,292
Total amount recognized	<u>24,880</u>	<u>28,292</u>
Employer contribution	-	-
Benefits paid	4,699	4,979
Net periodic benefit cost recognized	<u>4,392</u>	<u>4,872</u>
Other changes in plan assets and benefit obligations recognized in non-operating activities		
Net actuarial (gain)/loss	(1,311)	(6,408)
Amortization of gain	(2,211)	(3,080)
Administrative Expenses	109	108
Amortization of prior service cost	-	-
Recognition of loss due to settlements	-	-
Total recognized in non-operating activities	<u>(3,413)</u>	<u>(9,380)</u>
Total recognized in net periodic benefit cost and non-operating activities	<u>979</u>	<u>(4,508)</u>
Weighted average assumptions (used to determine benefit obligations and net periodic costs)		
Discount rate (benefit obligation)	4.48 %	4.77 %
Discount rate (net periodic costs)	4.77	4.22
Expected rate of return on plan assets (net periodic costs)	7.00	7.00
Rate of compensation increase (benefit obligation)	3.50	3.50
Rate of compensation increase (net periodic costs)	3.50	3.50
Mortality Basis	MP-2016	MP-2015

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For measurement purposes, a healthcare cost initial trend rate of 5.9% and 5.6% used to measure the other postretirement benefit obligation for the year ended December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, this trend is assumed to decline gradually to 3.9% in the year 2087 and beyond. As of December 31, 2016, the dental obligations reflect an initial trend rate for fiscal year 2018 of 5.0%. A 1% point change in assumed healthcare cost trend rates would have the following effects:

	<u>1%</u> <u>Decrease</u>	<u>1%</u> <u>Increase</u>
Effect on total of service and interest cost components	\$ 538	\$ 683
Effect on other postretirement benefit obligation	8,788	10,924

The expense recorded by the foundation related to contributions to the defined contribution plans aggregated \$6.9 million and \$6.6 million for the year ended December 31, 2016 and 2015, respectively.

The following table presents investments in the post-retirement plan at fair value by caption and by level within the valuation hierarchy as of December 31, 2016. The table also includes the combined weighted-average asset allocation for the foundation's post-retirement plan as of December 31, 2016 as follows:

<u>As of December 31, 2016 Assets at Fair Value</u>					
<i>(in thousands)</i>	Level 1	Level 2	Level 3	Totals	Percent
Post retirement plan					
Equity funds					
Vanguard total stock market index	\$ 14,409	\$ -	\$ -	\$ 14,409	32%
Vanguard FTSE all world EX-US index	17,672	-	-	17,672	39%
Fixed income funds					
Vanguard total bond market index	7,792	-	-	7,792	17%
Short-term invest grade fund	5,691	-	-	5,691	12%
Total investments in post-retirement plan	<u>\$ 45,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,564</u>	<u>100 %</u>

The following table presents investments in the defined benefit pension plans and post-retirement plan at fair value by caption and by level within the valuation hierarchy as of December 31, 2015. The table also includes the combined weighted-average asset allocation for the foundation's defined benefit pension plans and post-retirement plan as of December 31, 2015 as follows:

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Totals	Percent
Post retirement plan					
Equity funds					
Vanguard total stock market index	\$ 14,941	\$ -	\$ -	\$ 14,941	31 %
Vanguard FTSE all world EX-US index	18,012	-	-	18,012	38 %
Fixed income funds					
Vanguard total bond market index	8,341	-	-	8,341	18 %
Short-term invest grade fund	5,947	-	-	5,947	13 %
Total investments in post-retirement plan	<u>\$ 47,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,241</u>	<u>100 %</u>

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The investment strategy is to manage investment risk through prudent asset allocations that will produce a rate of return commensurate with the plans' obligations. The foundation expects to continue the investment allocations as noted above. The foundation's overall expected long-term rate of return on plan assets is based upon historical long-term returns of the investment performance adjusted to reflect expectations of future long-term returns by asset class.

Estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<i>(in thousands)</i>	Other Postretirement Benefits		
	<i>Before Part D Subsidy</i>	<i>Part D Subsidy *</i>	<i>Net Cash Flows</i>
2017	\$ 4,529	\$ 273	\$ 4,256
2018	4,622	287	4,335
2019	4,691	305	4,386
2020	4,739	325	4,414
2021	4,771	349	4,422
2022-2026	25,186	2,052	23,134

* The foundation applies for the federal drug subsidy under the Medicare Modernization Act (the "Act") for retirees who are Medicare eligible. The Act includes a provision that allows plan sponsors to receive a federal drug subsidy for a portion of the drug expenses of covered Medicare-eligible retirees, if they do not participate in the new Medicare drug benefit and the benefits provided by the plan are actuarially equivalent.

6. Contingencies, Commitments and Guarantees

In the normal course of business, the foundation enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The foundation's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the foundation that have not yet occurred. However, based on experience, the foundation expects the risk of loss to be remote.

As part of its program-related investment activities, as of December 31, 2016, the foundation is committed to provide \$32.9 million of loans to not-for-profit organizations once certain conditions are met. As of December 31, 2015, this commitment was \$14.7 million. Further, as part of its investment management activity, as of December 31, 2016 the foundation is committed to additional funding of approximately \$2.1 billion in private equity and other investment commitments. As as of December 31, 2015, these commitments were \$1.6 billion.

The foundation is committed to pay \$100.0 million, if the specified terms for a conditional grant are met, over the next 12 years.

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7. Subsequent Events

On March 16, 2017, the foundation issued \$273 million of Taxable Bonds, Series 2017, the use of the proceeds will include financing current or future capital projects such as the renovation and improvement of the foundation's headquarters building in New York City.

The foundation has evaluated subsequent events through June 8, 2017, the date the financial statements were available to be issued, and believes no additional disclosures are required in the financial statements.