

# **Peter Kiewit Foundation**

Independent Auditor's Report and  
Consolidated Financial Statements

June 30, 2016 and 2015

**Peter Kiewit Foundation**  
**June 30, 2016 and 2015**

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## Independent Auditor's Report

Board of Trustees  
Peter Kiewit Foundation  
Omaha, Nebraska

We have audited the accompanying consolidated financial statements of Peter Kiewit Foundation and its subsidiary, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, which are prepared on the modified cash basis of accounting, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Peter Kiewit Foundation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with the basis of accounting described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**BKD, LLP**

Omaha, Nebraska  
December 20, 2016

**Peter Kiewit Foundation**  
**Consolidated Statements of Financial Position**  
**Modified Cash Basis**  
**June 30, 2016 and 2015**

**Assets**

	<b>2016</b>	<b>2015</b>
<b>Investments</b>		
Money market fund	\$ 26,183,190	\$ 29,213,731
U.S. Government treasury and agency obligations	7,711,868	7,947,419
Municipal obligations	-	198,953
Common stock	262,622,919	291,046,624
Corporate bonds	23,396,768	22,729,913
Foreign bonds	5,488,790	7,769,295
Mutual funds	32,030,470	32,342,014
Exchange traded funds	6,008,769	10,729,555
Other	122,791	137,521
Alternative investments	33,735,984	29,017,316
Total investments	397,301,549	431,132,341
<b>Other Assets</b>	9,199,289	6,176,979
<b>Federal Excise Taxes Receivable</b>	222,159	61,953
Total assets	\$ 406,722,997	\$ 437,371,273

**Liabilities and Net Assets**

<b>Liabilities</b>		
Grants and scholarships payable	\$ 17,265,056	\$ 25,246,173
Long-term grants and scholarships payable	25,028,045	18,370,984
Total liabilities	42,293,101	43,617,157
<b>Net Assets - Unrestricted</b>		
Net assets - unrestricted	360,737,506	391,609,725
Non-controlling interest in subsidiary	3,692,390	2,144,391
Total net assets	364,429,896	393,754,116
Total liabilities and net assets	\$ 406,722,997	\$ 437,371,273

**Peter Kiewit Foundation**  
**Consolidated Statements of Activities**  
**Modified Cash Basis**  
**Years Ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Revenues, Net Gains and (Losses) and Other Support</b>		
Interest	\$ 1,480,592	\$ 1,617,175
Dividends	7,012,988	7,278,824
Other	515,671	389,279
Net gains (losses) on investments	(15,110,523)	4,956,152
Total revenues, net gains and (losses) and other support	(6,101,272)	14,241,430
<b>Expenses</b>		
Grants and scholarships	20,557,992	18,666,618
Management and general expenses	4,281,323	3,753,811
Provision for federal excise taxes	58,633	744,560
Total expenses	24,897,948	23,164,989
<b>Deficiency of Revenues, Net Gains and (Losses) and Other Support Under Expenses</b>	(30,999,220)	(8,923,559)
<b>Investment in Non-controlling Interest of Subsidiary</b>	1,675,000	2,167,725
<b>Change in Net Assets</b>	(29,324,220)	(6,755,834)
<b>Net Assets, Beginning of Year</b>	393,754,116	400,509,950
<b>Net Assets, End of Year</b>	\$ 364,429,896	\$ 393,754,116

**Peter Kiewit Foundation**  
**Consolidated Statements of Cash Flows**  
**Modified Cash Basis**  
**Years Ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Operating Activities</b>		
Change in net assets	\$ (29,324,220)	\$ (6,755,834)
Item not providing operating activities cash flows		
Net realized and unrealized losses (gains) on investments	15,110,523	(4,956,152)
Investment in subsidiary of noncontrolling interest	(1,675,000)	(2,167,725)
Changes in		
Federal excise taxes	(160,206)	(12,225)
Grant and scholarships payable	(1,324,056)	(2,116,174)
	<u>(17,372,959)</u>	<u>(16,008,110)</u>
<b>Investing Activities</b>		
Purchase of investments	(386,650,854)	(609,672,498)
Proceeds from disposition of investments	402,348,813	623,512,883
	<u>15,697,959</u>	<u>13,840,385</u>
<b>Financing Activities</b>		
Receipt of funds for non-controlling interest of subsidiary	1,675,000	2,167,725
	<u>-</u>	<u>-</u>
<b>Change in Cash and Cash Equivalents</b>	<u>-</u>	<u>-</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>-</u>	<u>-</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**Peter Kiewit Foundation**  
**Notes to Consolidated Modified Cash Basis Financial Statements**  
**June 30, 2016 and 2015**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Peter Kiewit Foundation (the “Foundation”) is a not-for-profit organization that was organized as an irrevocable charitable trust that is to be operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes by providing grants and scholarships to qualifying organizations. The Foundation’s revenues are derived principally from investment income.

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Foundation and a limited liability company primarily owned by the Foundation. All significant intercompany accounts and transactions have been eliminated in the consolidation.

***Basis of Accounting***

The Foundation prepares its financial statements on the modified cash basis of accounting. The cash basis differs significantly from accounting principles generally accepted in the United States of America as follows:

- Revenues are generally recognized when received rather than when earned.
- Expenses are generally recognized when paid rather than when incurred.
- Program-related investments are recognized as expense when paid rather than a receivable. All subsequent collections are recognized as grant refunds and any related interest income is recognized as other income when received.

The primary modifications to the cash basis method of accounting as utilized by the Foundation are as follows:

- Substantially all investments are carried at fair value and related unrealized gains and losses are recorded.
- Federal excise taxes are expensed as incurred.
- Grants are recognized as expense when the Board of Trustees has approved a commitment rather than when paid or when the recipient organization has met all conditions for payment.
- Scholarships are recognized as expense as the maximum amount of scholarships approved by the Board of Trustees. Scholarships are paid directly to the university or college. In cases when scholarship funds are returned to the Foundation, they are recorded as other income.

**Peter Kiewit Foundation**  
**Notes to Consolidated Modified Cash Basis Financial Statements**  
**June 30, 2016 and 2015**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued**

***Use of Estimates***

The preparation of financial statements on the modified cash basis of accounting 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 financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents, except money market funds or deposits held by the Trustee, which are defined as investments. No cash or cash equivalents were held at June 30, 2016 and 2015.

***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

***Derivative Financial Instruments***

As a strategy to either gain or limit exposure to the corporate bond market in a highly liquid manner and gain diversification, the Foundation periodically invests in credit default swaps whose value is determined based on indexes of issuers rather than specific issuers. The Foundation has also invested in various U.S. Treasury note futures options, Eurodollar call options on futures and other futures options whose values are determined based on the underlying currency, asset or index. These investments are used to either gain or limit exposure to various types of investment risk including interest rate risk, yield curve risk, currency fluctuations and mortgage-related risk in the fixed income portfolio. These instruments are carried at fair value with subsequent changes in fair value included in revenues, gains and other support.

***Unrestricted Net Assets***

Net assets are reported in separate classes based on the existence or absence of donor imposed restrictions. As there are no donor imposed restrictions, all net assets are classified as unrestricted.

**Peter Kiewit Foundation**  
**Notes to Consolidated Modified Cash Basis Financial Statements**  
**June 30, 2016 and 2015**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued**

***Grants and Scholarships***

Grants and scholarships, when approved by the Board of Trustees, are expensed and recognized as a liability.

***Other Assets***

The financial statements also include the activity of a limited liability company primarily owned by the Foundation for community redevelopment purposes. The assets held by this company are primarily real estate.

***Federal Excise Taxes***

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code (the Code) and a similar provision of state law. However, under provisions of the Code, private foundations are subject to an excise tax on their investment income, including net realized gains, as defined in the Code. In addition, the Code requires that certain minimum distributions be made in accordance with a specified formula.

The Foundation files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Foundation is no longer subject to U.S. federal examinations by tax authorities for years before 2013.

***Transfers Between Fair Value Hierarchy Levels***

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

***Reclassifications***

Certain reclassifications have been made to the 2015 financial statement to conform to the 2016 financial statement presentation. These reclassifications had no effect on the change in net assets.

**Peter Kiewit Foundation**  
**Notes to Consolidated Modified Cash Basis Financial Statements**  
**June 30, 2016 and 2015**

**Note 2: Investments and Investment Return**

The following tabulation summarizes the relationship between cost and fair values of investment assets:

	<u>Cost</u>	<u>Fair Value</u>	<u>Net Gains</u>
<b>2016</b>			
Balance at end of year	<u>\$ 358,540,187</u>	<u>\$ 397,301,549</u>	\$ 38,761,362
Balance at beginning of year	<u>\$ 378,794,022</u>	<u>\$ 431,132,341</u>	<u>52,338,319</u>
Unrealized depreciation on investments			(13,576,957)
Net realized losses on investments			<u>(1,533,566)</u>
Total net losses on investments			<u>\$ (15,110,523)</u>
<b>2015</b>			
Balance at end of year	<u>\$ 378,794,022</u>	<u>\$ 431,132,341</u>	\$ 52,338,319
Balance at beginning of year	<u>\$ 363,338,237</u>	<u>\$ 439,898,404</u>	<u>76,560,167</u>
Unrealized depreciation on investments			(24,221,848)
Net realized gains on investments			<u>29,178,000</u>
Total net gains on investments			<u>\$ 4,956,152</u>

See Note 7 for a detailed composition of investments at June 30, 2016 and 2015. The Corporate Trustee, as designated by the trust document, manages approximately 58% and 57% of the investments at June 30, 2016 and 2015, respectively.

**Peter Kiewit Foundation**  
**Notes to Consolidated Modified Cash Basis Financial Statements**  
**June 30, 2016 and 2015**

**Note 2: Investments and Investment Return - Continued**

***Alternative Investments***

The fair value of alternative investments that have been estimated using the net asset value per share as a practical expedient consist of the following:

	<b>June 30, 2016</b>			
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Private Equity Real Estate Funds (A)	\$ 3,897,581	\$ 24,476	N/A, Quarterly**	N/A, 90 days
Hedge Funds (B)	13,612,359	-	Daily - Annually*	30 - 105 days
Private Equity Funds (C)	<u>16,226,044</u>	<u>5,989,853</u>	N/A, Board Discretion	N/A, 20 days
Total	<u>\$33,735,984</u>	<u>\$ 6,014,329</u>		

\* One investment has a lock-up period of one year. Another investment has a lock-up period of two years and approx. \$442,000 of that investment cannot be redeemed until the underlying investments are liquidated.

\*\* One investment valued at approximately \$526,000 has a remaining lock-up period of 5 months.

	<b>June 30, 2015</b>			
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Private Equity Real Estate Fund (A)	\$ 2,551,093	\$ 199,013	N/A	N/A
Hedge Funds (B)	13,324,698	-	Quarterly - Annually*	45 - 105 days
Private Equity Funds (C)	<u>13,141,525</u>	<u>5,606,720</u>	N/A, Board Discretion	N/A, 20 days
Total	<u>\$29,017,316</u>	<u>\$ 5,805,733</u>		

\* One investment has a lock-up period of two years and approximately \$136,000 of that investment cannot be redeemed until the underlying investments are liquidated.

**Peter Kiewit Foundation**  
**Notes to Consolidated Modified Cash Basis Financial Statements**  
**June 30, 2016 and 2015**

**Note 2: Investments and Investment Return - Continued**

- (A) This category of fund invests in multiple, institutional-quality private equity real estate funds. The funds will have access to broad real estate diversification by management group, investment strategy, property type and geographical location. The investment strategies seek to provide investors a hedge against potential losses in any one fund through diversification of numerous funds. One fund has an indefinite life, while the other funds have an expected life of seven to eight years.
- (B) This category includes investments in hedge funds that invest in a variety of markets including long and short U.S. and global stocks and global markets. The fair value of the investments in this category have been estimated using net asset value per share. Investments representing less than 1% of this category at June 30, 2016, are in liquidation. Investments representing 30% and 21% of this category at June 30, 2016 and 2015, respectively, cannot be redeemed because the investments include restrictions that do not allow for redemption in the first one or two years after acquisition or until underlying investments are liquidated. The remaining investments in this category can be redeemed daily, quarterly or annually.
- (C) This category of fund employs a variety of investment styles and strategies which focus primarily on investing in diversified portfolios of private equity investments. These funds invest in specific industries, emerging markets and also focus on theme based investments at discounted prices. The fair value of the investments in this category have primarily been estimated using net asset value per share. Investments representing 29% and 24% of this category at June 30, 2016 and 2015, respectively, have an initial term period of 10 years while 11% and 10% of the investments, respectively, have a term period of four to six years and 3% of the investments at June 30, 2016 have an initial term of 15 years. The remaining 57% and 66% at June 30, 2016 and 2015, respectively, is invested in funds that allows quarterly repurchase offers to be executed only at the discretion of the funds.

**Note 3: Grants and Scholarships Payable**

Grants and scholarships, when approved by the Board of Trustees, are recorded as liabilities of the Foundation. Although grants will not be paid until certain conditions are met, such as completing a new building, establishing new programs, or raising matching funds, they are considered unconditional promises to give because the possibility that the condition will not be met is remote. Future payments are discounted at a rate of 3.5% based upon the anticipated timing of cash flows. Future payments of approved grants and scholarships at June 30, 2016 and 2015, are expected to be paid as follows:

**Peter Kiewit Foundation**  
**Notes to Consolidated Modified Cash Basis Financial Statements**  
**June 30, 2016 and 2015**

**Note 3: Grants and Scholarships Payable - Continued**

	<b>2016</b>	<b>2015</b>
In less than one year	\$ 17,265,056	\$ 25,246,173
In one to five years	26,743,250	20,435,722
After five years	1,000,000	-
	45,008,306	45,681,895
Less: discount	2,715,205	2,064,738
Grants and scholarships payable	<u>\$ 42,293,101</u>	<u>\$ 43,617,157</u>

**Note 4: Operating Leases**

The Foundation has an operating lease for office space that expires March 31, 2022. The lease contains a one-time option to terminate the lease on the 67<sup>th</sup> full month of the lease term provided that the Foundation gives a six month written notice. The lease also contains an option to extend for two renewal periods of five years each.

Future minimum lease payments, excluding building operating expenses, at June 30, 2016, were:

2017	\$ 133,036
2018	136,364
2019	139,789
2020	143,263
2021	146,881
After 2020	112,197
	<u>\$ 811,530</u>

**Note 5: Pension Plan**

The Foundation has a defined contribution pension plan covering substantially all employees. The Plan is available to all eligible employees after at least one year of completed service. Voluntary employee contributions became permissible on October 1, 2013. The Foundation contributes a minimum of 10% of total compensation. Employer contributions are fully vested after seven years. The Board of Trustees determines the amount of the Foundation's contributions to the plan. Foundation contributions were \$74,074 and \$69,957 for the years ended June 30, 2016 and 2015, respectively.

**Peter Kiewit Foundation**  
**Notes to Consolidated Modified Cash Basis Financial Statements**  
**June 30, 2016 and 2015**

**Note 6: Reconciliation of Net Assets**

The reconciliation of net assets is as follows:

	<u>Total</u>	<u>Foundation</u>	<u>Noncontrolling Interest</u>
<b>Balance July 1, 2014</b>	\$ 400,509,950	\$ 400,509,950	\$ -
Investment in non-controlling interest of subsidiary	2,167,725	-	2,167,725
Deficiency of Revenues, Net Gains and (Losses) and Other Support Under Expenses	<u>(8,923,559)</u>	<u>(8,900,225)</u>	<u>(23,334)</u>
<b>Balance June 30, 2015</b>	\$ 393,754,116	\$ 391,609,725	\$ 2,144,391
Investment in non-controlling interest of subsidiary	1,675,000	-	1,675,000
Deficiency of Revenues, Net Gains and (Losses) and Other Support Under Expenses	<u>(30,999,220)</u>	<u>(30,872,219)</u>	<u>(127,001)</u>
<b>Balance June 30, 2016</b>	<u>\$ 364,429,896</u>	<u>\$ 360,737,506</u>	<u>\$ 3,692,390</u>

**Note 7: Disclosures About Fair Value of Assets**

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets

***Recurring Measurements***

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2016 and 2015:

**Peter Kiewit Foundation**  
**Notes to Consolidated Modified Cash Basis Financial Statements**  
**June 30, 2016 and 2015**

**Note 7: Disclosures About Fair Value of Assets - Continued**

	Fair Value	2016 Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund	\$ 26,183,190	\$ -	\$ 26,183,190	\$ -
U.S. Government treasury and agency obligations	7,711,868	-	7,711,868	-
Municipal obligations	-	-	-	-
Common stock				
Information technology	55,777,311	55,777,311	-	-
Financials	34,654,541	34,654,541	-	-
Consumer discretionary	44,183,310	44,183,310	-	-
Health care	37,205,605	37,205,605	-	-
Industrials	31,168,573	31,168,573	-	-
Energy	16,147,684	16,147,684	-	-
Consumer staples	14,492,988	14,492,988	-	-
Materials	8,534,348	8,534,348	-	-
Telecommunications	6,602,020	6,602,020	-	-
Real estate	7,640,707	7,640,707	-	-
Utilities	6,215,832	6,215,832	-	-
Corporate bonds	23,396,768	-	23,396,768	-
Foreign bonds	5,488,790	-	5,488,790	-
Mutual funds				
Real estate	24,967,208	24,967,208	-	-
Foreign large blend	5,434,367	5,434,367	-	-
Long/short equity	1,628,895	1,628,895	-	-
Market neutral	-	-	-	-
Exchange traded funds	6,008,769	6,008,769	-	-
Notes, mortgages and derivative contracts	122,791	-	-	122,791
Alternative investments measured at net asset value (A)	<u>33,735,984</u>			
	<u>\$ 397,301,549</u>			

**Peter Kiewit Foundation**  
**Notes to Consolidated Modified Cash Basis Financial Statements**  
**June 30, 2016 and 2015**

**Note 7: Disclosures About Fair Value of Assets - Continued**

	2015			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund	\$ 29,213,731	\$ -	\$ 29,213,731	\$ -
U.S. Government treasury and agency obligations	7,947,419	-	7,947,419	-
Municipal obligations	198,953	-	198,953	-
Common stock				
Information technology	47,540,920	47,540,920	-	-
Financials	46,345,587	46,345,587	-	-
Consumer discretionary	55,559,666	55,559,666	-	-
Health care	48,945,569	48,945,569	-	-
Industrials	29,755,899	29,755,899	-	-
Energy	18,385,100	18,385,100	-	-
Consumer staples	19,190,703	19,190,703	-	-
Materials	12,887,036	12,887,036	-	-
Telecommunications	5,233,832	5,233,832	-	-
Real estate	3,687,198	3,687,198	-	-
Utilities	3,515,114	3,515,114	-	-
Corporate bonds	22,729,913	20,041,131	2,688,782	-
Foreign bonds	7,769,295	-	7,769,295	-
Mutual funds				
Real estate	22,012,389	22,012,389	-	-
Foreign large blend	6,534,336	6,534,336	-	-
Long/short equity	1,713,987	1,713,987	-	-
Market neutral	2,081,302	2,081,302	-	-
Exchange traded funds	10,729,555	10,729,555	-	-
Notes, mortgages and derivative contracts	137,521	-	-	137,521
Alternative investments measured at net asset value (A)	29,017,316			
	<u>\$ 431,132,341</u>			

**Peter Kiewit Foundation**  
**Notes to Consolidated Modified Cash Basis Financial Statements**  
**June 30, 2016 and 2015**

**Note 7: Disclosures About Fair Value of Assets - Continued**

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2016 and 2015. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

***Money Market Fund***

The money market fund consists of a money market mutual fund where the underlying securities are various short-term instruments. The money market fund is classified within Level 2 of the fair value hierarchy.

***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters; including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Fair value determinations for Level 3 measurements of securities are the responsibility of the Foundation. The Foundation contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. Management challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

**Peter Kiewit Foundation**  
**Notes to Consolidated Modified Cash Basis Financial Statements**  
**June 30, 2016 and 2015**

**Note 7: Disclosures About Fair Value of Assets - Continued**

***Level 3 Reconciliation***

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	<b>Notes, Mortgages and Derivative Contracts</b>
Balance, July 1, 2014	\$ 227,401
Total realized and unrealized gains and losses included in change in net assets	(14,880)
Purchases	95,000
Sales	(170,000)
	137,521
Balance, June 30, 2015	137,521
Total realized and unrealized gains and losses included in change in net assets	(87,920)
Purchases	210,200
Sales	(137,010)
	122,791
Balance, June 30, 2016	\$ 122,791
Total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	
Year ended June 30, 2015	\$ (14,880)
Year ended June 30, 2016	\$ (56,130)

**Peter Kiewit Foundation**  
**Notes to Consolidated Modified Cash Basis Financial Statements**  
**June 30, 2016 and 2015**

**Note 8: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Investments***

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

**Note 9: Subsequent Events**

Subsequent events have been evaluated through December 20, 2016, which is the date the financial statements were available to be issued.