

Peter Kiewit Foundation
Independent Auditor's Report and
Consolidated Financial Statements
June 30, 2018 and 2017



Peter Kiewit Foundation
June 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 21, 2018

Peter Kiewit Foundation
Consolidated Statements of Financial Position
Modified Cash Basis
June 30, 2018 and 2017

Assets

	2018	2017
Investments		
Money market fund	\$ 27,138,281	\$ 20,177,432
U.S. Government treasury and agency obligations	13,191,231	7,683,317
Municipal obligations	84,405	80,520
Common stock	242,836,928	245,552,720
Corporate bonds	33,463,935	22,458,404
Foreign bonds	8,187,521	5,098,226
Mutual funds	32,623,712	33,639,803
Exchange traded funds	75,549,671	79,658,040
Notes, mortgages and derivative contracts	82,001	79,801
Alternative investments	39,815,569	38,739,826
Total investments	472,973,254	453,168,089
Other Assets	9,662,555	9,487,308
Federal Excise Taxes Receivable	-	524,326
Total assets	\$ 482,635,809	\$ 463,179,723

Liabilities and Net Assets

Liabilities		
Grants and scholarships payable	\$ 27,847,980	\$ 20,544,547
Long-term grants and scholarships payable	15,060,577	19,171,750
Federal excise taxes payable	15,395	-
Total liabilities	42,923,952	39,716,297
Net Assets - Unrestricted		
Net assets - unrestricted	436,055,272	420,025,695
Non-controlling interest in subsidiary	3,656,585	3,437,731
Total net assets	439,711,857	423,463,426
Total liabilities and net assets	\$ 482,635,809	\$ 463,179,723

Peter Kiewit Foundation
Consolidated Statements of Activities
Modified Cash Basis
Years Ended June 30, 2018 and 2017

	2018	2017
Revenues, Net Gains and Other Support		
Interest	\$ 1,801,661	\$ 1,582,356
Dividends	6,701,582	5,870,689
Other gains	3,770,048	2,655,969
Net gains on investments	33,013,014	51,443,845
Contribution revenue	-	21,929,662
Total revenues, net gains and other support	45,286,305	83,482,521
Expenses		
Grants and scholarships	23,665,975	19,539,841
Management and general expenses	5,160,728	4,456,911
Provision for federal excise taxes	525,121	477,239
Total expenses	29,351,824	24,473,991
Excess of Revenues, Net Gains and Other Support Over Expenses	15,934,481	59,008,530
Investment in Non-controlling Interest of Subsidiary	313,950	25,000
Change in Net Assets	16,248,431	59,033,530
Net Assets, Beginning of Year	423,463,426	364,429,896
Net Assets, End of Year	\$ 439,711,857	\$ 423,463,426

Peter Kiewit Foundation
Consolidated Statements of Cash Flows
Modified Cash Basis
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities		
Change in net assets	\$ 16,248,431	\$ 59,033,530
Items not providing operating activities cash flows		
Net realized and unrealized gains on investments	(33,013,014)	(51,443,845)
Investment in subsidiary of noncontrolling interest	(313,950)	(25,000)
Changes in		
Federal excise taxes	539,721	(302,167)
Grant and scholarships payable	3,192,260	(2,576,804)
	<u>(13,346,552)</u>	<u>4,685,714</u>
Net cash (used in) provided by operating activities		
Investing Activities		
Purchase of investments	(329,128,697)	(767,305,260)
Proceeds from disposition of investments	342,161,299	762,594,546
	<u>13,032,602</u>	<u>(4,710,714)</u>
Net cash provided by (used in) investing activities		
Financing Activities		
Receipt of funds for non-controlling interest of subsidiary	313,950	25,000
	<u>-</u>	<u>-</u>
Change in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ -</u>

Peter Kiewit Foundation
Notes to Consolidated Financial Statements
Modified Cash Basis
June 30, 2018 and 2017

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 as 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 Financial Statements
Modified Cash Basis
June 30, 2018 and 2017

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 and 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, 2018 and 2017.

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 also periodically invests in various 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 (losses) and other support.

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.

Peter Kiewit Foundation
Notes to Consolidated Financial Statements
Modified Cash Basis
June 30, 2018 and 2017

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

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.

Contributions

Gifts of cash and other assets received are reported as unrestricted revenue and assets. Assets received are recorded at fair value on the date of receipt and recognized as contribution revenue.

Grants and Scholarships

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

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 2015.

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.

Peter Kiewit Foundation
Notes to Consolidated Financial Statements
Modified Cash Basis
June 30, 2018 and 2017

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>
2018			
Balance at end of year	<u>\$ 404,473,711</u>	<u>\$ 472,973,254</u>	\$ 68,499,543
Balance at beginning of year	<u>\$ 402,267,155</u>	<u>\$ 453,168,089</u>	<u>50,900,934</u>
Unrealized appreciation on investments			17,598,609
Net realized gains on investments			<u>15,414,405</u>
Total net gains on investments			<u>\$ 33,013,014</u>
2017			
Balance at end of year	<u>\$ 402,267,155</u>	<u>\$ 453,168,089</u>	\$ 50,900,934
Balance at beginning of year	<u>\$ 358,540,187</u>	<u>\$ 397,301,549</u>	<u>38,761,362</u>
Unrealized appreciation on investments			12,139,572
Net realized gains on investments			<u>39,304,273</u>
Total net gains on investments			<u>\$ 51,443,845</u>

See Note 7 for a detailed composition of investments at June 30, 2018 and 2017. The Corporate Trustee, as designated by the trust document, manages the Foundation's investment portfolio utilizing several outside investment managers.

Peter Kiewit Foundation
Notes to Consolidated Financial Statements
Modified Cash Basis
June 30, 2018 and 2017

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:

	June 30, 2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Real Estate Funds (A)	\$ 3,093,300	\$ 9,203	N/A, Quarterly	N/A, 90 days
Hedge Funds (B)	17,244,967	-	Quarterly - Semi-Annually	45 - 105 days
Private Equity Funds (C)	<u>19,477,302</u>	<u>8,600,217</u>	N/A, Board Discretion	N/A, 20 days
Total	<u><u>\$39,815,569</u></u>	<u><u>\$ 8,609,420</u></u>		

	June 30, 2017			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Real Estate Fund (A)	\$ 3,257,427	\$ 9,204	N/A, Quarterly	N/A, 90 days
Hedge Funds (B)	16,720,528	-	Daily - Annually*	30 - 105 days
Private Equity Funds (C)	<u>18,761,871</u>	<u>4,892,903</u>	N/A, Board Discretion	N/A, 20 days
Total	<u><u>\$38,739,826</u></u>	<u><u>\$ 4,902,107</u></u>		

* One investment has a lock-up period of one year. At June 30, 2017, another investment had a lock-up period of two years and approximately \$552,000 of that investment could not be redeemed until the underlying investments are liquidated. The underlying investments were liquidated during the year ending June 30, 2018.

Peter Kiewit Foundation
Notes to Consolidated Financial Statements
Modified Cash Basis
June 30, 2018 and 2017

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 fair value of the investments in this category have primarily been estimated using net asset value per share. 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 0% and 9% of this category at June 30, 2018 and 2017, 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 quarterly or semi-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 37% and 29% of this category at June 30, 2018 and 2017, respectively, have an initial term period of 10 years while 8% and 11% of the investments at June 30, 2018 and 2017, respectively, have a term period of four to six years and 6% of the investments at June 30, 2017 had an initial term of 15 years. The remaining 55% and 54% at June 30, 2018 and 2017, respectively, is invested in funds that allow 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 4.0% and 3.5% at June 30, 2018 and 2017, respectively, based upon the anticipated timing of cash flows. Future payments of approved grants and scholarships at June 30, 2018 and 2017, are expected to be paid as follows:

Peter Kiewit Foundation
Notes to Consolidated Financial Statements
Modified Cash Basis
June 30, 2018 and 2017

Note 3: Grants and Scholarships Payable - Continued

	2018	2017
In less than one year	\$ 27,847,980	\$ 20,544,547
In one to five years	16,601,653	21,050,250
	44,449,633	41,594,797
Less: discount	1,541,076	1,878,500
Grants and scholarships payable	\$ 42,908,557	\$ 39,716,297

Note 4: Operating Leases

The Foundation has an operating lease for office space that expires March 31, 2022.

Future minimum lease payments, excluding building operating expenses, at June 30, 2018, were:

2019	\$ 139,789
2020	143,263
2021	146,881
2022	112,197
	\$ 542,130

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 four years. The Board of Trustees determines the amount of the Foundation's contributions to the plan. Foundation contributions were \$91,118 and \$86,956 for the years ended June 30, 2018 and 2017, respectively.

Peter Kiewit Foundation
Notes to Consolidated Financial Statements
Modified Cash Basis
June 30, 2018 and 2017

Note 6: Reconciliation of Net Assets

The reconciliation of net assets is as follows:

	<u>Total</u>	<u>Foundation</u>	<u>Noncontrolling Interest</u>
Balance July 1, 2016	\$ 364,429,896	\$ 360,737,506	\$ 3,692,390
Investment in non-controlling interest of subsidiary	25,000	-	25,000
Excess/(Deficiency) of Revenues, Net Gains and (Losses) and Other Support Over/(Under) Expenses	<u>59,008,530</u>	<u>59,288,189</u>	<u>(279,659)</u>
Balance June 30, 2017	\$ 423,463,426	\$ 420,025,695	\$ 3,437,731
Investment in non-controlling interest of subsidiary	313,950	-	313,950
Excess/(Deficiency) of Revenues, Net Gains and (Losses) and Other Support Over/(Under) Expenses	<u>15,934,481</u>	<u>16,029,577</u>	<u>(95,096)</u>
Balance June 30, 2018	<u>\$ 439,711,857</u>	<u>\$ 436,055,272</u>	<u>\$ 3,656,585</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, 2018 and 2017:

Peter Kiewit Foundation
Notes to Consolidated Financial Statements
Modified Cash Basis
June 30, 2018 and 2017

Note 7: Disclosures About Fair Value of Assets - Continued

	2018			
	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	\$ 27,138,281	\$ -	\$ 27,138,281	\$ -
U.S. Government treasury and agency obligations	13,191,231	-	13,191,231	-
Municipal obligations	84,405	-	84,405	-
Common stock				
Information technology	48,308,564	48,308,564	-	-
Financials	41,722,701	41,722,701	-	-
Consumer discretionary	33,238,582	33,238,582	-	-
Health care	41,143,070	41,143,070	-	-
Industrials	24,227,478	24,227,478	-	-
Energy	15,923,416	15,923,416	-	-
Consumer staples	18,856,721	18,856,721	-	-
Materials	11,225,236	11,225,236	-	-
Telecommunications	3,383,320	3,383,320	-	-
Real estate	3,433,541	3,433,541	-	-
Utilities	1,374,299	1,374,299	-	-
Corporate bonds	33,463,935	-	33,463,935	-
Foreign bonds	8,187,521	-	8,187,521	-
Mutual funds				
Real estate	23,679,879	23,679,879	-	-
Long/short equity	1,814,549	1,814,549	-	-
Smallcap	7,129,284	7,129,284	-	-
Exchange traded funds	75,549,671	75,549,671	-	-
Notes, mortgages and derivative contracts	82,001	-	-	82,001
Alternative investments measured at net asset value (A)	<u>39,815,569</u>			
	<u>\$ 472,973,254</u>			

Peter Kiewit Foundation
Notes to Consolidated Financial Statements
Modified Cash Basis
June 30, 2018 and 2017

Note 7: Disclosures About Fair Value of Assets - Continued

	2017			
	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	\$ 20,177,432	\$ -	\$ 20,177,432	\$ -
U.S. Government treasury and agency obligations	7,683,317	-	7,683,317	-
Municipal obligations	80,520	-	80,520	-
Common stock				
Information technology	47,339,208	47,339,208	-	-
Financials	41,976,809	41,976,809	-	-
Consumer discretionary	36,395,999	36,395,999	-	-
Health care	40,267,699	40,267,699	-	-
Industrials	27,106,016	27,106,016	-	-
Energy	12,156,500	12,156,500	-	-
Consumer staples	22,574,288	22,574,288	-	-
Materials	9,329,585	9,329,585	-	-
Telecommunications	3,472,616	3,472,616	-	-
Real estate	3,507,709	3,507,709	-	-
Utilities	1,426,291	1,426,291	-	-
Corporate bonds	22,458,404	-	22,458,404	-
Foreign bonds	5,098,226	-	5,098,226	-
Mutual funds				
Real estate	24,056,192	24,056,192	-	-
Long/short equity	1,770,346	1,770,346	-	-
Smallcap	7,813,265	7,813,265	-	-
Exchange traded funds	79,658,040	79,658,040	-	-
Notes, mortgages and derivative contracts	79,801	-	-	79,801
Alternative investments measured at net asset value (A)	38,739,826			
	<u>\$ 453,168,089</u>			

Peter Kiewit Foundation
Notes to Consolidated Financial Statements
Modified Cash Basis
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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, 2018 and 2017. 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 Financial Statements
Modified Cash Basis
June 30, 2018 and 2017

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:

	Notes, Mortgages and Derivative Contracts
Balance, July 1, 2016	\$ 122,791
Total realized and unrealized losses included in change in net assets	(37,431)
Purchases	161,100
Sales	<u>(166,659)</u>
Balance, June 30, 2017	<u>79,801</u>
Total realized and unrealized losses included in change in net assets	(37,978)
Purchases	188,100
Sales	<u>(147,922)</u>
Balance, June 30, 2018	<u><u>\$ 82,001</u></u>
Total gains 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, 2017	<u><u>\$ 49,510</u></u>
Year ended June 30, 2018	<u><u>\$ 9,100</u></u>

Peter Kiewit Foundation
Notes to Consolidated Financial Statements
Modified Cash Basis
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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.

At June 30, 2018 and 2017 approximately 15% and 16%, respectively, of all investments was in one exchange traded fund. Net gains of approximately \$8,100,000 and \$4,900,000 were included on the Statement of Activities for the year ended June 30, 2018 and 2017, respectively, related to this investment.

Contributions

The Foundation was beneficiary of the Peter Kiewit Testamentary Trust for Marjorie B. Kiewit held and administered by a third party trustee. During the year ended June 30, 2017, the Foundation received \$21,929,662 in contributed assets from the trust following Marjorie B. Kiewit's passing. No such contributions were received for the year ended June 30, 2018.

Note 9: Subsequent Events

Subsequent events have been evaluated through December 21, 2018, which is the date the financial statements were available to be issued.