Southern California was an important part of my grandfather’s life – and it remains an important part of his legacy. He migrated to the region shortly after the turn of the twentieth century, founded The Superior Oil Company in Los Angeles, and in 1954 established this Foundation. His commitment to the Southern California community was important to him and has been exemplified by $775 million in contributions made by the Foundation to local institutions since its founding. As part of this tradition, the Foundation’s Southern California grant program was created to enrich the lives of the region’s residents, particularly children, youth and their families, and to build on W. M. Keck’s significant commitment to Los Angeles. This year’s report highlights our investment in education. Since the Foundation’s inception, we have made gifts totaling nearly $2.1 billion to local institutions that promote quality education from early childhood through the college undergraduate level. Of that total, approximately $65 million – more than half – has gone to pre-kindergarten to 12th grade education. This report explores how the Foundation has invested in local schools and programs with grants that support diverse strategies to transform learning experiences. Because every student in Los Angeles deserves a great education, this year the Foundation made a multi-year commitment to Great Public Schools Now. This new initiative is dedicated to making sure that students who attend chronically underperforming schools in our most under-resourced neighborhoods have access to high-quality public schools. Great Public Schools Now will do this by expanding the number of high-performing charter schools, as well as accelerating the development of magnet, pilot, partnership and district-run schools in local public school districts.

To help launch this initiative, the Foundation made grants in 2015 totaling $15 million, including two grants to expand charter schools in the Boyle Heights and Pico-Union neighborhoods of Los Angeles. As the initiative grows, the Foundation plans to invest more of its committed funds toward key parts of school start-up and expansion, including additional facilities development, as well as leadership and teacher training. Overall, the $40 million commitment to Great Public Schools Now aligns well with the Foundation’s historic giving through its Southern California Program. The Foundation will continue to invest in organizations that improve the health and well-being of vulnerable children, youth and families through its Southern California Program.

In addition to supporting local programs, the W. M. Keck Foundation seeks to generate far-reaching benefits for humanity by funding pioneering discoveries in science, engineering and medicine nationwide. To that end, in 2015 the Foundation approved 61 grants totaling $39.9 million, and it distributed grants totaling over $88.2 million, including prior commitments and new awards. In our regular programs, the Foundation awarded nearly 70% for graduate level basic scientific research. I encourage you to review the grants listed at the end of this report and to visit the Foundation’s website to read more about these projects, which come with a degree of risk but also the potential for transformative impact.

This year, I congratulate Brian Finch, a great-grandson of W. M. Keck, as the newest Director on our Board. I am also happy to welcome another great-grandchild, C. Ben Vaughan, as a Member of the Foundation. I am grateful for the expertise Director James Economou brings in his additional role as our Senior Medical Advisor. I also want to thank Jim Ukropina, chair of our Southern California and Liberal Arts Committee and Legal and Governance Committee, for his three years guiding us as President of the Foundation. Jim’s dedication and valuable advice position us for many more years as a strong institution.

In January 2016, we lost my sister, Tammis Day. Tammis loved serving as a Member and Director of the W. M. Keck Foundation. She joined in 1971 and served for 36 years as a Director and 44 years as a Member. She was passionate about poetry, which translated to her keen interest in the Foundation’s undergraduate education program. In February 2016, our longtime Director and General Counsel, Jim Lower, passed away as well. He joined the W. M. Keck Foundation in 1971 and served for more than 40 years as Member and Director and as a member of several committees, including our Legal and Governance Committee. We will miss his good judgment and counsel, as well as his affable manner.

I am pleased to report that in 2015, the W. M. Keck Foundation’s endowment closed with net assets of $14.24 billion. Despite a tumultuous start to 2016, I am optimistic the Foundation will continue to prosper financially and fund programs that make a difference in our quality of life.

I am proud of our Board and our hard working staff. The Foundation is fortunate to have such a talented and dedicated team.

Sincerely,

ROBERT A. DAY
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Los Angeles, California

*Member only
EDUCATION IS THE GREAT EQUALIZER,
leveling the playing field for all children, regardless of their families’ socio-economic status. Unfortunately, despite the fact that there are great schools and excellent teachers, too many low-income students do not have access to quality educational experiences from early childhood through high school graduation.

As a consequence, too often these students fall behind in the early grades, making them more likely to drop out of high school and face limited employment opportunities and persistent poverty in adulthood. Those lucky few with enough perseverance to transcend a poor quality education and make it into college frequently lack the support they need to complete a certificate or degree.

Promoting access to a quality education and the support students need to be successful in school has been a commitment of the W. M. Keck Foundation for more than 60 years. Through its Southern California Program, the Foundation has a long tradition of supporting local organizations that work to improve the health and well-being of vulnerable children, youth and families and to offer enriching opportunities to learn in a variety of settings. Our education grants have supported diverse strategies to transform learning experiences beginning in early childhood to prepare youth (especially those living in high poverty, under-resourced communities) to succeed in college and careers. In all, the Foundation has invested over $245 million in local social service agencies, schools, museums and health clinics in Southern California.

At the undergraduate level, students participating in what are known as “high-impact learning practices” are often more engaged in their education, see improvement in their grades and get their degrees more quickly. High quality undergraduate programs provide students with opportunities to pose and solve problems, work collaboratively in a community of peers, and apply their knowledge to real-world problems. Support for these engaging learning opportunities in the liberal arts and science and engineering is found in the Foundation’s Undergraduate Education Program, which has invested more than $170 million over the years to foster the critical thinking and problem solving skills students need to succeed in the 21st century workplace. One-third of this amount supported programs at public and private colleges and universities throughout Southern California alone.
Increasing Children’s Readiness to Learn

THE PATHWAY TO EDUCATIONAL SUCCESS BEGINS BEFORE CHILDREN ENTER KINDERGARTEN. During a child’s early years, social and emotional competence is developed, and reasoning, language acquisition and problem solving skills are acquired. Together, these form the foundation for lifelong learning. Too often, children who are English language learners or are developmentally disabled or those who come from low-income families don’t grow up in stimulating and enriching environments. Without access to high-quality preschool, child care or early intervention programs, these children enter kindergarten already a year or more behind their classmates in academic and social-emotional skills. Starting school from behind can trap children in a cycle of continuous catch-up, leading them to drop out and experience a life of poverty.

Recognizing the importance of the early years as a time for nurturing children’s cognitive, social and emotional abilities, and building on its long-time support for the local broadcast of Sesame Street, the Foundation made early childhood education a priority in 2000 through its Early Learning Program. This initiative created nearly 1,200 new spaces in preschools and child development programs serving Los Angeles County children through the age of five at social service agencies, a charter school and on a college campus. Given the success of its Early Learning Program, the Foundation continues to support high-quality early education projects that prepare young children to succeed in school and in life.

One of the initiative’s early grants was made to Para Los Niños for the W. M. Keck Early Education Center in the Pico-Union district. Responding to the needs of one of LA’s most impoverished communities, and with an approach that sparks curiosity and fosters critical thinking, the center helps to close the achievement gap for three- and four-year olds. A subsequent grant supported renovation of the Para Los Niños Charter Elementary School on Skid Row, which serves 400 children in transitional kindergarten through 5th grade. All Para Los Niños schools are augmented by a range of social services that address risks associated with low levels of parental education, poverty and language barriers. Today, Para Los Niños serves more than 6,500 children and their families each year, including nearly 100 children in its early learning programs.

Research has shown that early math skills are a more consistent and effective predictor of school success than early literacy skills. A grant to the MIND Research Institute, a nonprofit developer of software to improve children’s understanding of math concepts, supported the introduction of its ST Math: Early Learning curriculum in partnership with Los Angeles Universal Preschool. The project is serving four-year olds in some of the poorest communities in Los Angeles County (see sidebar). Early identification and intervention to improve outcomes for children with special needs has been another focus of Foundation grant-making. A grant to the Therapeutic Living Centers for the Blind supported construction of a new Center to provide comprehensive services for very young children through age five who are blind or visually impaired and have high levels of developmental delay.

“I feel proud to come here every day and be a positive role model for our students. With every class, we see growth that reminds us why we do this work.”

—Karina Hernandez, teacher, Para Los Niños

Because the program does not rely on language, it is particularly effective with English language learners. MIND is training preschool teachers to use the software, and LAUP coaches are providing onsite support to create a blended learning environment that includes group lessons. Children are reasoning their way through increasing levels of difficulty while receiving immediate feedback. Teachers are accessing real-time data to identify students needing extra help. Early results demonstrate improvement in preschoolers’ math and problem solving skills.

Math is fun with MIND’s graphically-rich animated software program

Mathematical concepts come alive using JiJi the Penguin software program

MIND Research Institute

MIND Research Institute is a leader in applying cognitive brain research to the development of software to improve students’ understanding of math. In partnership with Los Angeles Universal Preschool (LAUP), a nonprofit that supports over 300 preschool sites, MIND is replicating its proven ST Math: Early Learning program in Los Angeles. With Foundation funding in 2013, 1,400 low-income four-year-olds are participating at ten LAUP preschools that feed to public elementary schools where ST Math is already being used. The early learning program consists of computer games that use interactive animation to teach fundamental concepts such as counting, identifying shapes, and understanding addition and subtraction.

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other disabilities such as autism, cerebral palsy or epilepsy. Other grants were successful in reaching highly vulnerable and isolated families, often in crisis, whose children are at higher risk for developmental disabilities or delays. One such grant to 211 LA, the County’s information and referral call line, provided evidence-based developmental screenings that identified children with delays or autism at more than twice the rate occurring in the general population nationally. At least half of the children screened received intervention services. The Foundation also supported the Westside Infant-Family network (Win) to improve developmental outcomes for infants at risk of delays because of parental stress, trauma, mental illness, and/or neglect. Win provides free, in-home infant mental health therapy to young children and their parents and links the family to medical care, child development programs, and other social services (see sidebar).

Westside Infant-Family Network

The Westside Infant-Family Network (WIN) began as a demonstration project implemented by six community agencies, including Westside Children’s Center, St. Joseph Center and the Venice Family Clinic. The collaborative’s mission is to provide services to low-income, socially isolated families coping with multiple life challenges that diminish their ability to develop nurturing relationships with their infant or toddler at the very time that their child’s brain is undergoing dramatic structural development. Lacking a safe environment and responsive caregiving, babies fail to develop the strong, trusting bond with their parent(s), resulting in chronic anxiety, hyper-vigilance and/or disengagement. The brain becomes flooded with toxic levels of hormones that impede neural development and lead to lasting biological changes that can result in serious medical and mental health problems in adulthood as well as lifelong educational and behavioral issues in school, work and relationships. A Foundation grant enabled WIN to add in-home mental health therapy for parents to its menu of services, which already included infant mental health treatment and care coordination among the partners so WIN families can access affordable housing, health care and early childhood education. Children served exhibited more secure attachments to their mothers, who in turn reported decreased stress levels. The new adult mental health program continues, and WIN has successfully transitioned from a demonstration project to an independent nonprofit organization that has received several national accolades for its strong outcomes and integrated, in-home services.

Promoting Learning From School to Career

“Promoting learning from school to career requires a holistic approach that includes high-quality education, early intervention, and support services that meet the needs of all students.”

A quality education nurtures curiosity and challenges children to achieve their highest potential. It is guided by effective and passionate teachers, sets high expectations for students, and employs a holistic, engaging curriculum that places emphasis on the sciences and the arts and incorporates the use of technology. The environment fosters students’ abilities to manage emotions, develop empathy and get along with others. A quality education is the necessary ingredient in developing the next generation of talented leaders. Expanding access to a quality K-12 education for all children is one of the goals of the Southern California Program and the reason the Foundation is making a significant commitment to the Great Public Schools Now initiative (see our Chairman’s letter). Grants to further this goal have benefited students and teachers in public school districts and charter schools. Multiple strategies...
Building Excellent Schools

Creating exceptional educational options for public school students will ensure that all children benefit from the best learning experiences possible. High performing, independent public charter schools with a mission of preparing all students for college are one such option. Building Excellent Schools (BES) has launched more than 100 charter schools in 25 cities nationwide. In 2014, the Foundation supported the expansion of BES’ fellowship program in Los Angeles. The rigorous three-year training program prepares visionary entrepreneurs with a track record in their respective professions to design and open new charter schools in low-income, high need urban neighborhoods. Since 2009, eight BES fellows have established 13 charter schools in some of Los Angeles’ poorest communities. Equitas Academy, one of the first local BES schools, has since expanded to three schools. In the Pico Union neighborhood, it now serve 350 students, of whom, 85% are Latino and 92% low income. A Foundation grant as part of the Great Public Schools Now initiative is investing in a permanent facility for Equitas’ newest school, providing it the space to increase enrollment to 1,300 students. In recognition of the significant student academic gains, the California Department of Education named Equitas’ elementary school a California Distinguished School in 2013-14 and its middle school a Gold Ribbon School in 2014-15. Five new BES schools opened in 2015, and one of the two fellows supported by the Foundation’s grant is on track to open her school in 2016.

“…because little people matter – they become the big people who will lead the next generation. They will become the big people who carry with them the freedom that only education brings.”

—Kathryn Mullins, 2015 BES Fellow

to boost academic achievement have been supported, including programs in the arts and sciences, teacher professional development and school-based health and wellness services.

Education reform in some of the Los Angeles Unified School District’s (LAUUSD) lowest performing, inner-city schools is another strategy the Foundation has supported. A grant to the Partnership for Los Angeles Schools, which operates a network of 17 LAUSD schools, invested in its turn-around model at David Starr Jordan High School in Watts to accelerate student achievement and pioneer new programs that can be scaled to benefit all district students. The grant supported the Partnership and school-based efforts to strengthen the school’s climate, boost instructional capacity, and leverage technology in support of academic interventions. Progress, while measured, is unmistakable and there are reasons for optimism. Jordan High is making strides in improving students’ academic performance and attendance. Further, the four-year graduation rate has steadily climbed in the past five years from 40% to 70%.

Charter schools are another tool in education reform that increases access to a quality education for low-income students whose only other option is attending low-performing neighborhood schools. A 2014 Stanford University study found that urban charter schools as a group, and in Los Angeles in particular, outperform other urban public schools nationwide in reading and math. Students attending charter schools benefit from a longer school day, personalized instruction and enriched curricula. The Foundation has focused on expanding student enrollment in high-performing charter schools by supporting new school facility construction and fellowships to train visionary entrepreneurs to establish new charter schools in Los Angeles (see sidebar). Some of the most effective charter schools address the needs of all students, including those with disabilities. When Green Dot Public Schools took over operational control of LAUSD’s Henry Clay Middle School in 2012, it inherited
A second grade student’s painting inspired by π

Students interested in careers in health care serve as health leaders. They have conducted outreach to 3,000 of their peers and provided tours to promote the center’s services. To date, the center has provided health care services to 3,700 students, their families and community members.

The Los Angeles Unified School District’s (LAUSD) district-wide expansion of NTC’s teacher induction program from its successful pilot at a school in South Los Angeles. Master teachers trained by NTC serve as coaches and deliver intensive, high-quality support to teachers during their first two years in the classroom. To date, 1,000 new LAUSD teachers have benefited from master teachers’ expertise in classroom management, lesson planning and instructional strategies to engage all learners. Survey data indicated that 90% of all LAUSD teachers supported by NTC planned to continue teaching at their school. NTC is now working in eight additional school districts throughout Los Angeles County.
Preparing Students for Success in College and Careers

Today’s workforce requires higher levels of education than ever before and a full complement of 21st century skills (critical thinking, creativity, communication and collaboration) to compete in the global economy. But in America’s low-income schools, students often lack the guidance and support they need to prepare for college, apply to the best-fit schools and secure financial aid. Consequently, only a small fraction of these students enroll in college, and of those who do, only one in nine actually earns a bachelor’s degree within six years. In-school, after-school and summer enrichment programs that supplement academic instruction along with comprehensive guidance on the college application process help reverse this trend.

When compared to other students, foster and probation youth are more likely to perform below grade level or be suspended, and they are less likely to receive help with school work or enroll in college preparatory classes. Only 50% graduate from high school. A Foundation grant helped the Children, Youth and Family Collaborative (CYFC) expand its in-school academic tutoring and intervention program to 15 schools with large concentrations of foster and probation youth in four school districts (Compton, Los Angeles, Long Beach and Palmdale) to prepare 800 of these highly vulnerable students for high school graduation and post-secondary education or employment. Eighty-six percent of the seniors provided with this extra help and guidance graduated from high school and 80% enrolled in post-secondary education or obtained employment. Recognizing the impact of the program, Los Angeles’ child welfare and probation agencies are investing in CYFC’s capacity to scale it countywide as a systemic solution for changing the life trajectories of foster and probation youth.

“Because of Ms. Espinoza, my academic adviser at Narbonne H.S., I wouldn’t be on track to graduate this June 2016. She is on me in maintaining my grades up.”
—Arionne H., student, CYFC program participant

“Students helped by CYFC graduate from Centennial High School”

“Today’s workforce requires higher levels of education than ever before and a full complement of 21st century skills (critical thinking, creativity, communication and collaboration) to compete in the global economy. But in America’s low-income schools, students often lack the guidance and support they need to prepare for college, apply to the best-fit schools and secure financial aid. Consequently, only a small fraction of these students enroll in college, and of those who do, only one in nine actually earns a bachelor’s degree within six years. In-school, after-school and summer enrichment programs that supplement academic instruction along with comprehensive guidance on the college application process help reverse this trend.

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Students who disengage from their studies during middle school are at increased risk of dropping out. Hands-on learning and workplace mentoring opportunities that allow students to see the connection between their education and the real world before going on to high school have proven to be a good retention strategy, particularly for disadvantaged students. Spark, a Foundation grantee, successfully re-engages at-risk middle school students through one-on-one apprenticeships at workplaces throughout the city. The program brings students out of the classroom and into the workplace for project-based mentoring coupled with an in-school curriculum that emphasizes the importance of skills such as teamwork, time management and goal setting to prepare them for a successful transition to high school. Organizations and corporations that host apprenticeships include the Academy of Motion Picture Arts & Sciences, Deloitte, Google, Latham & Watkins, Wells Fargo Capital Finance and many others. Eighty-nine percent of Spark students enter ninth grade on track to graduate on time compared to 70% of their peers, and 92% of Spark alumni have graduated high school on time, or are on track to do so, surpassing local and national graduation rates.

“A small idea can turn into something huge with the help of a mentor.”
—Yubendi M., Spark participant

Students engaged in research as part of Level Playing Field’s Summer Math and Science Honors Academy (SMASH)

A middle school student explores his dream job through an apprenticeship at a software company

“Students helped by CYFC graduate from Centennial High School”

“A small idea can turn into something huge with the help of a mentor.”
—Yubendi M., Spark participant
After-school programs provide opportunities to close the achievement gap and contribute to healthy lifestyles and positive social development. The Foundation has a long history of investing in safe places where children and youth can gather, do their homework, explore extracurricular interests and receive mentoring from positive adult role models. Grants have been made to Boys & Girls Clubs, YMCAs and the Boy Scouts and Girl Scouts as well as to community-based youth centers. In the Rampart neighborhood, one of Los Angeles’ most dangerous areas overrun by gangs and violence, the Harmony Project used Foundation funding to expand its after-school music classes to more than 300 inner-city elementary and middle school students. The program takes place at LAUSD school campuses where children can learn to play an instrument of their choice in a safe and nurturing environment. The Harmony Project has since doubled the size of its programs, in part with support from the Foundation, to 2,000 students in 13 communities. A research study of the Harmony Project’s program, conducted by a neurobiologist at Northwestern University, documented that early and sustained music learning helps children understand language better and become more proficient readers.

Addressing summer learning loss, which research shows accounts for more than half of the achievement gap between lower- and higher-income youth, is another strategy to keep students on track to graduate from high school and enroll in college. A grant to Level Playing Field Institute helped expand the organization’s flagship program, SMASH (Summer Math and Science Honors Academy), which encourages high-performing, under-represented students of color to pursue careers in STEM fields. Students participate in an intensive five-week residential academic program for three consecutive summers on a college campus where they take courses in math, computer science, biology, chemistry and physics. An academic year component includes college counseling and financial aid workshops, preparation for college admissions testing and college tours. A recent survey of 262 alumni found that 100% of the students graduated from high school. Virtually all went to college and nearly half of those to a top tier school. Over 80% declared a STEM major and persisted beyond their third year.

Assisting students with navigating the complex college planning and admissions process is a promising strategy for increasing college going rates, especially for those who are the first in their families to apply. A Foundation grant is supporting the work of the California College Guidance Initiative (CCGI) with higher education and K-12 school districts to fundamentally change how planning for and admission to college occurs. A newly designed, interactive website is providing school counselors, students and parents unprecedented access to the same, real-time information to track course completion and grades. Students create their own personal profile online where they can also explore career paths and research colleges and scholarship opportunities. School counselors can access these profiles to monitor students’ progress in meeting college admissions requirements and completing financial aid applications and can match students with colleges, career fairs and scholarships based on the interests identified in their profiles. A smartphone app sends notifications alerting students and parents about key application deadlines. CCGI’s partnership with the California State University system allows students to populate their application to all 23 campuses from their online portfolio, saving them time. In CCGI partner school districts, students’ portfolios include verified high school transcript data, which enables CSU admissions staff to make more timely admissions decisions.

Another Foundation grant is supporting Bright Prospect, a program that works directly with students to help them gain admission to and graduate from four-year colleges and universities. A 2014 Foundation grant is supporting the expansion of the distinctive program at five high schools in the Los Angeles Unified School District. Beginning in 10th grade, cohorts of five to six students are placed in peer support groups known as Crew®. Each Crew selects a leader who, with the support of Bright Prospect staff, guides the members through a process of goal setting that opens their eyes and challenges them to aim high. Together, they encourage and hold each other accountable for progress as they begin to identify colleges, meet with recruiters, draft personal statements and take practice college entrance exams. In their senior year, participants receive one-on-one college and financial aid application assistance. The Crews are reconstituted among students attending the same college, and an older Bright Prospect college student serves as a mentor to first-year college Crew members. The confidence instilled in program participants is reflected in the 97% college matriculation and 91% graduation rates. Students are accepted by competitive schools, including 13 of the 15 highest-ranked universities in the nation and 27 of the top 25 liberal arts colleges.

Bright Prospect

The complicated college application process is daunting for students whose families never dreamed that college could be an option for their children. Recognizing this, Bright Prospect provides a comprehensive counseling and support system that empowers motivated, low-income high school students not only to gain admission but to graduate from four-year colleges and universities. A 2014 Foundation grant is supporting the expansion of the distinctive program at five high schools in the Los Angeles Unified School District. Beginning in 10th grade, cohorts of five to six students are placed in peer support groups known as Crew®. Each Crew selects a leader who, with the support of Bright Prospect staff, guides the members through a process of goal setting that opens their eyes and challenges them to aim high. Together, they encourage and hold each other accountable for progress as they begin to identify colleges, meet with recruiters, draft personal statements and take practice college entrance exams. In their senior year, participants receive one-on-one college and financial aid application assistance. The Crews are reconstituted among students attending the same college, and an older Bright Prospect college student serves as a mentor to first-year college Crew members. The confidence instilled in program participants is reflected in the 97% college matriculation and 91% graduation rates. Students are accepted by competitive schools, including 13 of the 15 highest-ranked universities in the nation and 27 of the top 25 liberal arts colleges.

Bright Prospect college students discuss their college experience with high school students.

“SMASH has classes where you are doing mechanical engineering hands-on instead of looking at pictures in a book. We’re getting experiences people don’t get until later on in their professional careers.”

— LaMore J., SMASH scholar
The United States provides the most diverse system of higher education in the world. Colleges and universities may be public or private, nonprofit or for-profit. They maintain student enrollments of fewer than 1,000 or more than 60,000. They may be religious or secular, urban or rural, and feature activities. Yet, it is only in recent decades that the question of how students learn has been the subject of rigorous study. This research has confirmed the effectiveness of “high-impact practices” that engage students in critical thinking and problem solving through collaborative projects, undergraduate research and community-based learning. Unfortunately, most campuses lack the resources to implement these practices.

In response, the Foundation’s Undergraduate Education Program has supported two national organizations, Project Kaleidoscope (PKaL) and Science Education for New Civic Engagement and Responsibilities (SENCER), which are at the forefront of disseminating best practices, particularly in undergraduate science, technology, engineering and mathematics (STEM) education. Both initiatives achieve their missions through regional and national learning communities and symposia where faculty and administrators learn and share “what works” with their peers.

The reforms facilitated by PKaL and SENCER have permeated hundreds of campuses nationwide. PKaL’s focus is on the STEM disciplines and the reforms necessary to retain and graduate more students in the STEM fields. Grants to PKaL supported curricular changes to improve connections among the disciplines and place greater emphasis on high impact practices. More recent support for PKaL helped campus leaders plan and implement scalable and sustainable STEM reforms. SENCER’s original emphasis was on teaching science in the lower division to non-science majors in the context of current and unresolved public issues. A growing set of model SENCER courses are engaging students simultaneously as scientists and as citizens who must also address the political, social, economic and ethical concerns that can complicate solutions. An assessment of SENCER found that the approach has increased the number of students interested in considering a career in science, including teaching science. This success with non-majors is now being used to develop new courses for STEM majors to improve student learning and retention.

Just as these initiatives are informing ways to improve student learning, researchers at Gallaudet University, supported by a grant through the Foundation’s Research Program, are investigating the science of learning and, specifically, how deaf infants acquire language. The research is expected to also inform how hearing children with learning disabilities are taught language. If successful, this research could have significant impact in the field of human cognitive neuroscience (see sidebar).

Active involvement in original research, empirical observation and cutting edge technology are some of the practices for deaf children and would improve methods of teaching language to hearing children as well, particularly those with conditions such as dyslexia or autism.

This has been a fascinating project with unique opportunities for students from different disciplines to work together and take part in innovative teaming exercises.”

—Dr. Jim Hanson, Professor of Civil and Environmental Engineering, California Polytechnic State University, San Luis Obispo
the Foundation’s Undergraduate Education Program has consistently supported, particularly in the sciences. Providing students with hands-on research experiences, conducted either as part of their coursework or in partnership with a faculty mentor, improves their understanding of complex concepts and better prepares them for graduate school and future careers in all fields. A Foundation grant to a large public institution, California Polytechnic State University, San Luis Obispo, supported the launch of a unique program for engineering and chemistry students to study the environmental impacts triggered by the manufacture and use of nanomaterials and to develop methods to manage waste. The first program of its kind offered at the undergraduate level, it is generating a high level of research activity. Early assessments of the more than 800 participating students indicated that they have a better understanding and retention of the problem.

A similar grant to a small, private liberal arts institution, Westminster College in Utah, built an interdisciplinary program for students to conduct research alongside their faculty mentors on the Great Salt Lake, a unique feature in the region. Students enhanced their research skills by reading primary literature, designing experiments and presenting and publishing the results. They investigated the genomics of brine shrimp, the only macroscopic organism that survives in this extreme aqueous environment, the role of microorganisms in methyl-mercury contamination, and the remains of Ice Age fossils removed from the lake. The impact of the program was widespread, involving twice as many faculty members as originally anticipated and boosting the percentage of students planning to pursue a doctorate to nearly half of all participants. The college is sustaining scientific research within the curricula and collaboration with an artist-in-residence has led to new interdisciplinary programming in the sciences and arts.

The idea of giving something back to the community is an important college outcome that prepares students for good citizenship, work and life. Through service learning opportunities, students gain direct experience in the field by applying what they are learning in the curriculum to real-world settings. The Foundation supported Occidental College to develop a combination of research-oriented courses, field-based experiences and internships for students in the humanities and social sciences in collaboration with local cultural institutions and social service organizations. As students have mined the collections and archive of museums, they have developed advanced research and presentation skills, gained valuable work experience and generated new knowledge benefitting the institutions. One such partnership with the Autry Museum of the American West resulted in a joint appointment in Native American Studies to teach at the college and curate related exhibitions at the museum.

“It has been deeply gratifying to be able to expand undergraduate research outside the sciences and see the kind of impact it has had on students studying everything from art history and Spanish to music and sociology.”

—Amy Lyford, Associate Dean, Occidental College
2015 REPRESENTATIVE GRANTS

MEDICAL RESEARCH

Boston University
Boston, MA
Plamen Ch. Ivanov, Ednan Bajwa, Julian Goldman, Susan Redline
$1,000,000
To study the mechanisms that regulate dynamic interactions between organ systems.

Brown University
Providence, RI
Christopher Moore, Ute Hochgeschwender, Diane Lipscombe, Barry Connors, Julie Kauer
$1,000,000
To engineer an internal bioluminescent optogenetics system to regulate excitable cell.

Salk Institute for Biological Studies
La Jolla, CA
Martin W. Hetzer, Asako McCloskey, Brandon H. Toyama, Travis Berggren
$1,100,000
To determine the role of long-lived proteins on normal cellular function and on age-related disorders.

Seattle Children’s Research Institute
Seattle, WA
Mark Majesky, Kathleen Millen, Daryl Okamura, Adrian Piliponsky, Joshua Akey, Jay Shendure
$1,300,000
To investigate the mechanisms of regeneration in the mammal Acomys cahirinus.

University of California, Berkeley
Berkeley, CA
Jennifer Doudna, Alex Marson, Pidong Yang
$1,000,000
To develop a nanowire platform that can deliver genome engineering machinery into primary human immune cells.

University of California, Merced
Merced, CA
Victor Mutis, Mourad Sadqi, Zihan Wang
$1,000,000
To develop single molecule biosensors based on the concept of downhill folding proteins.

University of California, Santa Cruz
Santa Cruz, CA
David Haussler, Benedict Paten
$3,000,000
To develop a universal framework to map all human genome variations.

University of North Carolina at Chapel Hill
Chapel Hill, NC
Jeremy Purvis, Jeanette Cook
$1,500,000
To formulate a systematic assembly of the sequence of molecular events in the human cell cycle.

University of Oregon
Eugene, OR
Richard Taylor, Darren Johnson, Benjamin Alemán, Miriam Deutsch, Christopher Niell
$900,000
To use fractal-based electronics for interfacing artificial implants to living systems.

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2015 REPRESENTATIVE GRANTS

SCIENCE AND ENGINEERING RESEARCH

Arizona State University
Tempe, AZ
Peter R. Buseck, Jun Wu, Sang-Heon Dan Shim, Kurt Leinweber, Zachary Sharp, Stephen Romanelli, Ariel Anbar, Steve Desch, Linda Elkins-Tanton
$1,500,000
To determine the origins of Earth’s water through a combination of experimentation and computational modeling.

Colorado State University
Fort Collins, CO
Amy Prieto, James Neilson
$1,000,000
To develop a new approach to materials formation in which properties are self-selected for their electrochemical and physical characteristics.

Lehigh University
Bethlehem, PA
Martin P. Harmer, Elizabeth A. Holm, Gregory S. Rohrer
$1,000,000
To study anti-thermal behavior in the grain boundaries of solid materials.

Montana State University, Bozeman
Bozeman, MT
Brent Peyton, Brian Borthner, Eric Boyd, Ross Carlson, Valérie Copé, Matthew Fields, Robin Gerlach, Bill Inokeep, Richard Kauer, Susee Couch, Jamie Cornish, Christine Smith
$1,000,000
To discover biochemical and genetic pathways in thermophilic archaea that thrive in high-pH environments.

2015 REPRESENTATIVE GRANTS

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$1,000,000
To discover biochemical and genetic pathways in thermophilic archaea that thrive in high-pH environments.
Northwestern University
Evanston, IL.
Hoosier Mohseni, Melville Ulmer, Oliver Gaynor
$1,000,000
To develop a new infrared camera system with widespread applicability across the physical and biomedical sciences.

Rice University
Houston, TX
Carrie Masillo, Matthew Bennett, Jeff Silberg, George Bennett
$1,000,000
To develop synthetic biology tools to track microbial dynamics in soil.

University of California, Santa Barbara
Santa Barbara, CA
Stephen Wilson
$1,000,000
To construct a furnace for the growth of ultrathin crystals to explore next generation materials.

University of Delaware
Newark, DE
Matthew Doty, Joshua Zade, Diane Sellers, Chris Klosin, John Slater, Emily Day
$1,000,000
To develop new materials for photon upconversion using a photon switch paradigm.

University of Michigan
Ann Arbor, MI
Zhushui Zhong, Ted Norris, Jeff Fessler
$1,500,000
To develop a new light detection technology able to capture the light-field of any scene.

University of Southern California
Los Angeles, CA
Tom Jordan
$2,500,000
To establish a collaborative for interseismic simulation and modeling to better predict California earthquakes.

University of Texas at Austin
Austin, TX
Mark Raizen
$1,000,000
To develop new methods to produce ultra-bright coherent atom beams.

University of Texas at Austin
Austin, TX
John McCormack, Daniel J. Pondella II
$400,000
To expand research and coursework in field biology and genomics by purchasing a suite of equipment.

San Francisco State University
San Francisco, CA
Jennifer Summit
$100,000
To acquire equipment for enhanced student learning and research in the environmental sciences.

San Francisco State University
San Francisco, CA
Joey Proudfit, Kristine Diekman
$200,000
To enhance the biology program through acquisition of equipment for cell sorting and pedagogical approaches in math and science.

SOUTHERN CALIFORNIA

Mills College
Oakland, CA
Elizabeth Wade
$250,000
To expand in-depth art instruction to more high poverty schools.

Pasadena Conservatory of Music
Pasadena, CA
$400,000
To establish a collaboratory for families in Boyle Heights.

L.A. Family Housing Corporation
North Hollywood, CA
$500,000
To expand services to homeless families and individuals by relocating the agency’s campus in North Hollywood.

Legal Aid Foundation of Los Angeles
Los Angeles, CA
$500,000
To support a countywide, cross-sector initiative to improve outcomes for youth transitioning from the foster care system.

Los Angeles Neighborhood
Corporation
Los Angeles, CA
$500,000
To transform publicly owned vacant lots into parks and gardens in underserved areas of Los Angeles.

W. M. Keck Foundation | 27
### Mental Health America of Los Angeles
Long Beach, CA  
$300,000  
To create a comprehensive service center for homeless people and veterans by renovating a property in Long Beach.

### Ocean Park Community Center
Santa Monica, CA  
$250,000  
To expand affordable housing options for chronically homeless adults by utilizing a shared housing model.

### Rape Foundation
Santa Monica, CA  
$450,000  
To expand the Stuart House program that treats child victims of sexual abuse by constructing a new, larger facility.

### Villa Esperanza Services
Pasadena, CA  
$250,000  
To increase services for developmentally disabled children and adults by expanding and renovating the Villa Esperanza campus.

### Early Childhood
St. Anne’s Maternity Home
Los Angeles, CA  
$250,000  
To construct an Early Learning Center in an affordable supportive housing complex.

### Health Care
Los Angeles Trust for Children’s Health
Los Angeles, CA  
$250,000  
To strengthen and expand a school-based health system within LAUSD to improve students’ health and readiness to learn.

### St. John’s Well Child & Family Center
Los Angeles, CA  
$300,000  
To establish the Special Needs Health and Development Center for children with developmental disabilities in South Los Angeles.

### Precollegiate Education
CollegeSpring
San Francisco, CA  
$200,000  
To provide low income public high school students in Los Angeles with a college preparation program.

### Community Partners/College Match
Los Angeles, CA  
$200,000  
To expand a comprehensive college access program serving low income, talented high school students.

### Educators for Excellence
New York, NY  
$250,000  
To expand a teacher-led movement in Los Angeles to improve outcomes for students.

### Los Angeles Public Library
Los Angeles, CA  
$250,000  
To expand informal learning activities in science, technology, engineering, art and math (STEAM) at 40 library branches.

#### SPECIAL PROJECT AND RELATED GRANTS

- **Great Public Schools Now**  
  Los Angeles, CA  
  Supporting high-quality public schools.  
  **Excellent Education Development**  
  $500,000

- **Pacific Charter School Development**  
  - Equitas Academy Elementary School  
    $2,000,000  
  - Endeavor College Prep  
    $3,500,000

- **EnCorps, Inc.**  
  Los Angeles, CA  
  $250,000  
  To recruit career-changing professionals in science, technology, engineering and math as teachers and tutors.

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**2015 FINANCIAL STATEMENTS**
The Board of Directors
W. M. Keck Foundation

We have audited the accompanying financial statements of the W. M. Keck Foundation, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor’s Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the W. M. Keck Foundation as of December 31, 2015 and 2014, and the results of its activities and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

May 10, 2016

Emmett Young LLP

STANTEMENTS OF FINANCIAL POsITION

<table>
<thead>
<tr>
<th>December 31 (in thousands)</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$19,709</td>
<td>$17,490</td>
</tr>
<tr>
<td>Receivable from brokers</td>
<td>166</td>
<td>193</td>
</tr>
<tr>
<td>Interest and dividends receivable</td>
<td>1,044</td>
<td>886</td>
</tr>
<tr>
<td>Prepaid federal excise taxes</td>
<td>1,633</td>
<td>628</td>
</tr>
<tr>
<td>Investments</td>
<td>1,100,594</td>
<td>1,114,812</td>
</tr>
<tr>
<td>Other assets</td>
<td>428</td>
<td>563</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$1,122,714</td>
<td>$1,234,432</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Liabilities and net assets</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable to brokers</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
</tr>
<tr>
<td>Grants payable</td>
</tr>
<tr>
<td>Deferred federal excise taxes payable</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
</tr>
<tr>
<td>Unrestricted net assets</td>
</tr>
<tr>
<td><strong>Total liabilities and unrestricted net assets</strong></td>
</tr>
</tbody>
</table>

See accompanying notes.
### Statements of Activities

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>$6,508</td>
<td>$7,759</td>
</tr>
<tr>
<td>Dividends</td>
<td>8,210</td>
<td>8,477</td>
</tr>
<tr>
<td>Other income</td>
<td>118</td>
<td>169</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$15,046</td>
<td>$16,405</td>
</tr>
<tr>
<td>Realized and unrealized gains and losses on investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net realized gains</td>
<td>78,187</td>
<td>77,404</td>
</tr>
<tr>
<td>Unrealized losses</td>
<td>(114,702)</td>
<td>(12,355)</td>
</tr>
<tr>
<td><strong>Total revenues and net realized gains and unrealized losses on investments</strong></td>
<td>(35,515)</td>
<td>$11,009</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>$54,639</td>
<td>$55,214</td>
</tr>
<tr>
<td>Management and general services</td>
<td>6,033</td>
<td>5,770</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>4,103</td>
<td>4,340</td>
</tr>
<tr>
<td>Federal excise tax (benefit) provision</td>
<td>(761)</td>
<td>(356)</td>
</tr>
<tr>
<td>Tax withheld</td>
<td>82</td>
<td>41</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$64,096</td>
<td>$65,721</td>
</tr>
<tr>
<td>Change in unrestricted net assets</td>
<td>(105,365)</td>
<td>(14,307)</td>
</tr>
<tr>
<td>Unrestricted net assets, beginning of year</td>
<td>1,234,415</td>
<td>1,228,762</td>
</tr>
<tr>
<td>Unrestricted net assets, end of year</td>
<td>$1,109,090</td>
<td>$1,234,415</td>
</tr>
</tbody>
</table>

See accompanying notes.

### Statements of Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in unrestricted net assets</td>
<td>$ (105,365)</td>
<td>$ (14,307)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>51</td>
<td>50</td>
</tr>
<tr>
<td>Net realized gains on investments</td>
<td>(78,387)</td>
<td>(57,404)</td>
</tr>
<tr>
<td>Change in net unrealized losses on investments</td>
<td>134,702</td>
<td>22,395</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivable from brokers</td>
<td>87</td>
<td>968</td>
</tr>
<tr>
<td>Interest and dividends receivable</td>
<td>(158)</td>
<td>360</td>
</tr>
<tr>
<td>Other taxes</td>
<td>(88)</td>
<td>2,076</td>
</tr>
<tr>
<td>Payable to brokers</td>
<td>233</td>
<td>(790)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(206)</td>
<td>(97)</td>
</tr>
<tr>
<td>Deferred federal excise taxes payable</td>
<td>(2,696)</td>
<td>(410)</td>
</tr>
<tr>
<td><strong>Grants payable</strong></td>
<td>(5,584)</td>
<td>(4,448)</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(16,466)</td>
<td>(13,513)</td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(467,246)</td>
<td>(326,977)</td>
</tr>
<tr>
<td>Proceeds on disposition of investments and return of capital</td>
<td>131,359</td>
<td>452,239</td>
</tr>
<tr>
<td>Acquisition of fixed assets</td>
<td>(28)</td>
<td>(68)</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td>58,085</td>
<td>44,984</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>1,619</td>
<td>(16,337)</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>17,490</td>
<td>18,409</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>$19,109</td>
<td>$17,490</td>
</tr>
</tbody>
</table>

**Supplemental disclosure**

- Taxes paid during the year | $2,772     | $700     

See accompanying notes.
1. Organization

Formation and Goals of the Foundation

W. M. Keck established the W. M. Keck Foundation (the Foundation) as a charitable trust in 1954. In 1959, Mr. Keck changed the trust entity to a corporate entity by forming the W. M. Keck Foundation as a Delaware corporation and by transferring the trust’s assets, and eventually by bequeathing the residue of his estate, to the corporation. It is this Delaware corporation which exists today and continues to be known as the W. M. Keck Foundation. The Foundation’s goals are principally to identify and support university and college research and education programs in the areas of science, engineering, and medicine. In addition, the Foundation gives some consideration to promoting liberal arts education and, in Southern California only, to supporting community services, health care, pre-collegiate education, and the arts. Operations are funded by the Foundation’s returns on its investment portfolio.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 and expenses during the reporting period. Actual results could differ from those estimates.

Grant Payments

In accordance with accounting standards for not-for-profit entities, unconditional grant payments are recognized as an expense in the period in which they are approved. If these grants are to be paid over a period exceeding one year, they are recorded at the net present value of the future cash payments, using an applicable Treasury Bill rate. Grants that are conditioned upon a future uncertain event are expensed when these conditions are met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

Cash and Cash Equivalents

Cash and cash equivalents are defined as liquid investments with remaining maturities of three months or less at time of purchase.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Fair value is established based on quoted prices from recognized securities exchanges.

Investments in private equity funds, commingled funds, and hedge funds are measured at fair value, using the net asset value as a practical expedient, which is based on net asset values reported by the fund managers. Pursuant to provisions of Accounting Standards Update (ASU) 2009-12, Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent), the Foundation believes that the net asset value of these investments as of December 31, 2015 and 2014 approximates their fair value as of that date. However, because of the inherent uncertainty of valuation, the estimated fair values for the aforementioned securities and interests may differ from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Purchases and sales of securities are recorded on the trade date. Dividend income is recorded based upon the ex-dividend date. Interest income is recorded as earned on an accrual basis. Realized gains and losses are recorded upon disposition of securities based on the specific identification method. Unrealized gains and losses are included in the statements of activities and represent the net change in fair value for investments held at the end of the year.

Fair Value of Financial Instruments

The Foundation’s statements of financial position include, but are not limited to, the following financial instruments: cash and cash equivalents, accounts payable, and accrued liabilities. The Foundation considers the carrying amounts of these assets and liabilities in the statements of financial position to approximate the fair value of these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents and investments. The investment portfolio is managed within the Foundation’s established investment guidelines.

Fixed Assets

Fixed assets are carried at cost, less accumulated depreciation, and are included in other assets in the statements of financial position. Depreciation is computed on the straight-line method over the estimated useful life of each type of asset or the term of the related lease, whichever is shorter. The depreciable lives for leasehold improvements are ten years and for furniture and equipment are five years.

Fair Value Measurement

The Foundation applies the principles of Accounting Standards Codification (ASC) 820, Fair Value Measurements, for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements. This standard defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. The standard clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Foundation establishes a three-level fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Assets that have readily observable prices (quoted prices in active markets accessible at the measurement date for assets). The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 – Assets that are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds, forward contracts, future contracts, interest and credit swap agreements, options, and interest rate swaps.

Level 3 – Assets whose fair value cannot be determined by using observable measures, and can only be calculated using estimates or risk-adjusted value ranges, when little or no market data is available. The inputs into the determination of fair value require management’s judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are, therefore, determined using factors that involve considerable judgment and interpretations, including, but not limited to, private and public comparables, third-party appraisals, discounted cash flow models, and fund manager estimates. The fair value hierarchy gives lowest priority to Level 3 inputs.
**NOTES TO FINANCIAL STATEMENTS (cont.)**

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted below:
(a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
(b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost).
(c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess earnings models).

The Foundation’s assets measured at fair value on a recurring basis at December 31, 2015, were as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>December 31, 2015</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common and preferred stock</td>
<td>$344,658</td>
<td>$ –</td>
<td>$ –</td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>–</td>
<td>$14,658</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>–</td>
<td>$2,872</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Government bonds</td>
<td>10,749</td>
<td>179</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Foreign investments</td>
<td>70,554</td>
<td>10,370</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Mortgage- and asset-backed securities</td>
<td>–</td>
<td>$26,066</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td>345,336</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Private equity funds</td>
<td>–</td>
<td>–</td>
<td>$8,716</td>
<td></td>
</tr>
<tr>
<td>Commingled funds</td>
<td>–</td>
<td>$20,311</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Hedge funds</td>
<td>–</td>
<td>$186,160</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$731,277</td>
<td>$166,396</td>
<td>$8,716</td>
<td></td>
</tr>
</tbody>
</table>

The Foundation’s assets measured at fair value on a recurring basis at December 31, 2014, were as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>December 31, 2014</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common and preferred stock</td>
<td>$408,284</td>
<td>$ –</td>
<td>$ –</td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>–</td>
<td>$17,862</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>–</td>
<td>$3,014</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Government bonds</td>
<td>8,909</td>
<td>264</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Foreign investments</td>
<td>8,168</td>
<td>6,797</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Mortgage- and asset-backed securities</td>
<td>–</td>
<td>$27,003</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td>360,791</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Private equity funds</td>
<td>–</td>
<td>–</td>
<td>$99,080</td>
<td></td>
</tr>
<tr>
<td>Commingled funds</td>
<td>–</td>
<td>$77,144</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Hedge funds</td>
<td>–</td>
<td>$197,592</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$786,936</td>
<td>$329,386</td>
<td>$99,080</td>
<td></td>
</tr>
</tbody>
</table>

The Foundation has classified its mutual funds, equity securities, preferred stock, and certain of its government bonds and foreign investments that have quoted prices in active markets as Level 1 within the fair value hierarchy. These securities are valued under the market approach using inputs observable in active markets for identical securities. The Foundation has classified certain of its government bonds, corporate bonds, municipal bonds, foreign bonds, mortgage- and asset-backed securities, bank loans, commingled funds, and hedge funds as Level 2 investments. The fair value of these assets is valued under the market approach using inputs observable in active markets for similar assets. The Foundation has classified its private equity funds as Level 3 investments and measured these private equities at fair value. The fair value of these assets is measured, using the net asset value as a practical expedient, which is based on net asset values reported by the fund managers. The fair value of the underlying assets in private equity funds is valued under the income approach using discounted cash flows and other inputs not observable in active markets.

The table below sets forth a summary of changes in fair value of the Level 3 assets for the years ended December 31, 2015 and 2014 (in thousands):

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance – beginning of year</td>
<td>$99,080</td>
<td>$98,811</td>
</tr>
<tr>
<td>Additions</td>
<td>$27,373</td>
<td>$14,876</td>
</tr>
<tr>
<td>Distributions</td>
<td>$(28,118)</td>
<td>$(14,965)</td>
</tr>
<tr>
<td>Change in fair value</td>
<td>$(9,476)</td>
<td>$(287)</td>
</tr>
<tr>
<td>Balance – end of year</td>
<td>$89,716</td>
<td>$99,080</td>
</tr>
</tbody>
</table>

The cumulative unrealized (losses) gains in Level 3 assets held at December 31, 2015 and 2014, (as reported in the summary of changes in fair values above) were ($6,946,000) and $2,251,000, respectively.

### 3. INVESTMENTS

The cost and fair value of investments are as follows (in thousands):

<table>
<thead>
<tr>
<th>Year Ended December 31, 2015</th>
<th>Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common and preferred stock</td>
<td>$162,106</td>
<td>$346,618</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>$15,838</td>
<td>$24,418</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>$2,391</td>
<td>$2,872</td>
</tr>
<tr>
<td>Government bonds</td>
<td>$10,944</td>
<td>$10,370</td>
</tr>
<tr>
<td>Foreign investments</td>
<td>$79,889</td>
<td>$80,724</td>
</tr>
<tr>
<td>Mortgage- and asset-backed securities</td>
<td>$25,789</td>
<td>$26,066</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>$38,082</td>
<td>$35,116</td>
</tr>
<tr>
<td>Private Equity funds</td>
<td>$91,072</td>
<td>$99,080</td>
</tr>
<tr>
<td>Commingled funds</td>
<td>$12,000</td>
<td>$10,311</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>$186,420</td>
<td>$186,160</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year Ended December 31, 2014</th>
<th>Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common and preferred stock</td>
<td>$15,974</td>
<td>$17,862</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>$2,391</td>
<td>$3,014</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>$9,331</td>
<td>$9,737</td>
</tr>
<tr>
<td>Foreign investments</td>
<td>$15,018</td>
<td>$15,165</td>
</tr>
<tr>
<td>Mortgage- and asset-backed securities</td>
<td>$26,469</td>
<td>$27,003</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>$351,087</td>
<td>$360,791</td>
</tr>
<tr>
<td>Private Equity funds</td>
<td>$96,449</td>
<td>$99,080</td>
</tr>
<tr>
<td>Commingled funds</td>
<td>$51,411</td>
<td>$77,144</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>$99,080</td>
<td>$97,302</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year Ended December 31, 2015</th>
<th>Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common and preferred stock</td>
<td>$270,387</td>
<td>$408,284</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>$15,974</td>
<td>$17,862</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>$2,391</td>
<td>$3,014</td>
</tr>
<tr>
<td>Government bonds</td>
<td>$9,331</td>
<td>$9,737</td>
</tr>
<tr>
<td>Foreign investments</td>
<td>$15,018</td>
<td>$15,165</td>
</tr>
<tr>
<td>Mortgage- and asset-backed securities</td>
<td>$26,469</td>
<td>$27,003</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>$351,087</td>
<td>$360,791</td>
</tr>
<tr>
<td>Private Equity funds</td>
<td>$96,449</td>
<td>$99,080</td>
</tr>
<tr>
<td>Commingled funds</td>
<td>$51,411</td>
<td>$77,144</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>$99,080</td>
<td>$97,302</td>
</tr>
</tbody>
</table>
The change in net unrealized gains on investments is reflected in the statements of activities and is summarized as follows (in thousands):

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net unrealized gains, beginning of year</td>
<td>$277,541</td>
<td>$299,736</td>
</tr>
<tr>
<td>Net unrealized (losses) gains on investments for the year</td>
<td>$134,702</td>
<td>$(12,195)</td>
</tr>
<tr>
<td>Other cost basis adjustment</td>
<td>$(208)</td>
<td>$—</td>
</tr>
<tr>
<td>Net unrealized gains, end of year</td>
<td>$141,133</td>
<td>$277,541</td>
</tr>
</tbody>
</table>

The Foundation has made total capital contributions (net of distributions/return of capital) of $226,612,000 to private equity funds, one commingled fund, and hedge funds it held as of December 31, 2015. The commingled fund can be redeemed on a monthly basis and is primarily invested in Level 1 equity securities in the international markets. The hedge funds can be redeemed on a quarterly or an annual basis (in one case, subject to a two year lock-up period ending September 2017) and are primarily invested in Level 1 equity securities (U.S. and international) and some corporate bonds and various other Level 2 investments. The private equity funds are valued using Level 3 inputs and, as of December 31, 2015, are subject to lock-up provisions up to 15 years subject to certain further extension adjustments. The Foundation had total future capital commitments related to private equity funds of $107,312,000 as of December 31, 2015.

4. Taxes
The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. However, the Foundation is classified under the Internal Revenue Code (IRC) as a private foundation and, as such, is subject to a 2% (1% if certain criteria is met) federal excise tax on net investment income. During 2015, the Foundation accrued a 1% excise tax on net investment income. Private foundations are required to distribute annually, in qualifying charitable distributions, an amount equal to approximately 5% of the average fair market value of the Foundation's assets (the minimum distribution). If the Foundation does not distribute the required minimum distribution, a one-year grace period is granted to distribute the undistributed income. Under IRC Section 4942(a), if undistributed income is not distributed by the close of the following year, a minimum penalty of 30% of such undistributed income will apply. The Foundation's annual distributions were in excess of the required minimum for 2015 and 2014, and, therefore, not subject to the 30% penalty. The Foundation has not accrued a liability for the penalty on undistributed income because there is an excess distribution for the year ended December 31, 2015.

The Foundation uses the liability method for accounting for excise taxes. The federal excise tax (benefit) provision consists of the following (in thousands):

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>$1,935</td>
<td>$806</td>
</tr>
<tr>
<td>Deferred</td>
<td>$(2,659)</td>
<td>$(430)</td>
</tr>
<tr>
<td></td>
<td>$(764)</td>
<td>$(356)</td>
</tr>
</tbody>
</table>

Deferred federal excise taxes arise primarily from the net unrealized appreciation in the fair value of investments and the Foundation uses the maximum federal excise tax rate of 2% for the years presented.

The Foundation completed an analysis of its tax positions, in accordance with Financial Accounting Standards Board (FASB) ASC 740, Income Taxes, and determined that there are no uncertain tax positions taken or expected to be taken. The Foundation has recognized no interest or penalties related to uncertain tax positions. The Foundation is subject to routine audits by the taxing jurisdictions; however, there are currently no audits in progress for any tax periods (tax years 2011 through 2015 remain open and subject to selection for such routine audits).

5. Grants Payable and Conditional Grant Commitments
Grants payable and conditional grant commitments as of December 31, 2015, are as follows (in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>Unconditional</th>
<th>Conditional</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$8,664</td>
<td>$1,300</td>
</tr>
<tr>
<td>2017–2018</td>
<td>248</td>
<td>15,000</td>
</tr>
<tr>
<td>2019 and thereafter</td>
<td>-</td>
<td>97,000</td>
</tr>
<tr>
<td></td>
<td>8,810</td>
<td>113,800</td>
</tr>
</tbody>
</table>

Projected timetable and payment amounts shown above for conditional grants are estimated. Conditional grants will be recorded as an expense in the period when the conditions to the grant are met. These grants are conditioned upon other donors matching the amounts contributed by the Foundation, receipt of building permits and other regulations, and compliance with budget, timetable, and grant agreements requirements.

Conditional grants outstanding as of December 31, 2015, consist of the following (in thousands):

<table>
<thead>
<tr>
<th>Grants</th>
<th>Date of Original Commitment</th>
<th>Original Commitment</th>
<th>Amount Outstanding*</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Southern California</td>
<td>2001</td>
<td>150,000</td>
<td>112,000</td>
</tr>
<tr>
<td>Other</td>
<td>2015</td>
<td>1,300</td>
<td>1,300</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$123,300</td>
</tr>
</tbody>
</table>

* Only reflects the portion of the grant that remains conditional.

In addition to the conditional grants detailed above, in December 2015 the Board approved the following two initiatives, indicating the Foundation’s intention to make future conditional grants:

- $35 million remaining planned funding of a Los Angeles public school reform initiative being coordinated by Great Public Schools. Now expected to be paid over a 7-year period (payments of $5 million were made and expensed in 2015).
- $410 million remaining planned funding of an emergency room excellence program (payments of $90,000 were made and expensed in 2015).

In each case, additional diligence will be required to determine specific projects and recipient organizations as well as to define and document grant terms, conditions, and benchmarks.
6. Lease Commitments
The Foundation leases its main office space. Annual base rent is $544,000, which is payable through the end of the lease term in 2019. Rent expense is recognized on a straight-line basis over the lease term. As of December 31, 2015, the approximate future minimum scheduled lease obligation for the lease is as follows (in thousands):

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>544</td>
</tr>
<tr>
<td>2017</td>
<td>544</td>
</tr>
<tr>
<td>2018</td>
<td>544</td>
</tr>
<tr>
<td>2019</td>
<td>498</td>
</tr>
<tr>
<td>Total</td>
<td>2,130</td>
</tr>
</tbody>
</table>

Total straight-line rental expense for each of the years ended December 31, 2015 and 2014, was approximately $413,500. Deferred rent was approximately $510,000 and $640,000 at December 31, 2015 and 2014, respectively.

7. Employee Retirement Plan
The Foundation maintains a qualified 401(k) Profit Sharing Plan (the Plan) for eligible employees. Employees can contribute a percentage of their pretax compensation subject to Internal Revenue Service (IRS) limitations. The Foundation matches 100% of the employee's deferral, but not more than 6% of the employee’s compensation in total until IRS compensation limits are reached. The Foundation's matching contributions to the Plan were approximately $236,000 and $242,000 for the years ended December 31, 2015 and 2014, respectively.

8. Related-Party Transactions
A director of the Foundation was a partner of a law firm that provided legal services to the Foundation. The Foundation incurred legal fees for services provided by the law firm totaling $136,000 and $219,000 for the years ended December 31, 2015 and 2014, respectively.

9. Subsequent Events
The Foundation's management has evaluated subsequent events through May 10, 2016, which is the date these financial statements were available to be issued. Management has determined that no material subsequent events have occurred during that period that would require the Foundation to either recognize the financial impact of such events in the accompanying financial statements or disclose any such events to ensure the financial statements are not misleading.

ACKNOWLEDGMENTS
Para Los Niños
MIND Research Institute
Therapeutic Living Centers for the Blind
211 LA
Westside Infant-Family Network
Partnership for Los Angeles Schools
Los Angeles County Arts Commission
New Teacher Center
Los Angeles Trust for Children's Health
UMM Community Clinic
Green Dot Public Schools California
Building Excellent Schools
Children, Youth & Family Collaborative
SPARK Los Angeles
Harmony Project
Level Playing Field Institute
California College Guidance Initiative
Bright Prospect
Kelly Mack | Project Kalendoscope
Danielle Kraus | SCENCER
Carola Donnerhak | Occidental College
Bonnie Baxter | Westminster College
Paul Julin | Gallaudet University
Ruzena Barr | California Polytechnic State University, San Luis Obispo

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