

# THE CHRISTENSEN FUND

DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

# **The Christensen Fund**

## **Independent Auditors' Report and Consolidated Financial Statements**

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## **Independent Auditors' Report**

THE BOARD OF TRUSTEES  
THE CHRISTENSEN FUND  
San Francisco, California

We have audited the accompanying consolidated financial statements of **THE CHRISTENSEN FUND (The Christensen Fund or Christensen)** which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Christensen'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 Christensen'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.

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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 The Christensen Fund as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Hood & Strong LLP*

San Francisco, California  
September 20, 2016

# The Christensen Fund

## Consolidated Statements of Financial Position

<i>December 31,</i>	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 9,773,866	\$ 14,863,819
Investments	237,063,946	220,997,192
Income-producing property	2,115,254	2,115,254
Prepaid expenses and other assets	1,618,393	2,638,106
<b>Total assets</b>	<b>\$ 250,571,459</b>	<b>\$ 240,614,371</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Grants payable	\$ 4,744,600	\$ 4,163,289
Accounts payable and accrued liabilities	218,455	256,597
Deferred federal excise tax	806,500	745,000
<b>Total liabilities</b>	<b>5,769,555</b>	<b>5,164,886</b>
<b>Unrestricted Net Assets</b>	<b>244,801,904</b>	<b>235,449,485</b>
<b>Total liabilities and net assets</b>	<b>\$ 250,571,459</b>	<b>\$ 240,614,371</b>

See accompanying notes to financial statements.

# The Christensen Fund

## Consolidated Statements of Activities

<i>Year Ended December 31,</i>	2015	2014
<b>Revenue, Gains and Other Income:</b>		
Contributions	\$ 20,802,000	\$ 1,161,400
Rental income	810,236	810,236
Dividends and interest	4,271,221	4,955,075
Net realized and unrealized gains on investments	5,704,127	21,363,118
Other Income	39,360	67,017
<b>Total revenue, gains and other income</b>	<b>31,626,944</b>	<b>28,356,846</b>
<b>Expenses:</b>		
Program grants	12,486,198	11,552,845
Other program expenses	2,588,643	2,742,214
Investment management fees	4,368,888	4,316,246
General and administrative	2,378,503	2,165,510
Excise tax expense	452,293	482,588
<b>Total expenses</b>	<b>22,274,525</b>	<b>21,259,403</b>
<b>Change in Net Assets</b>	<b>9,352,419</b>	<b>7,097,443</b>
<b>Net Assets - unrestricted, beginning of year</b>	<b>235,449,485</b>	<b>228,352,042</b>
<b>Net Assets - unrestricted, end of year</b>	<b>\$ 244,801,904</b>	<b>\$ 235,449,485</b>

See accompanying notes to financial statements.

# The Christensen Fund

## Consolidated Statements of Cash Flows

<i>Year Ended December 31,</i>	2015	2014
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 9,352,419	\$ 7,097,443
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	53,298	77,369
Net realized and unrealized gains on investments	(5,704,127)	(21,363,118)
Deferred excise tax	61,500	384,708
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	1,000,183	359,228
Grants payable	581,311	(864,859)
Accounts payable	(1,161)	29,796
Accrued liabilities	(36,981)	(27,190)
<b>Net cash provided (used) by operating activities</b>	<b>5,306,442</b>	<b>(14,306,623)</b>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales of investments	5,469,501	13,542,367
Purchases of investments	(15,832,127)	(1,184,910)
Purchases of property and equipment	(33,769)	(3,993)
<b>Net cash (used) provided by investing activities</b>	<b>(10,396,395)</b>	<b>12,353,464</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(5,089,953)</b>	<b>(1,953,159)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>14,863,819</b>	<b>16,816,978</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 9,773,866</b>	<b>\$ 14,863,819</b>
<b>Supplemental Disclosures:</b>		
Cash paid for federal excise taxes	\$ 110,000	\$ 270,000

See accompanying notes to financial statements.

# The Christensen Fund

## Notes to Consolidated Financial Statements

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### Note 1 - Organization and Summary of Significant Accounting Policies:

#### a. Organization

The Christensen Fund (The Christensen Fund or Christensen) is a nonprofit, tax-exempt, primarily grant making, private foundation established in 1957 through contributions from Allen D. and Carmen M. Christensen. Christensen's mission is rooted in their deep interest in the processes of creativity in the arts, promotion of knowledge through varied approaches to education, conservation of the natural environment, and the values of immersing ourselves in different cultures and their geographical settings.

Christensen believes in the power of biological and cultural diversity to sustain and enrich a world faced with great change and uncertainty. The Christensen Fund focuses on the biocultural -- the rich but neglected adapted interweave of people and place, culture and ecology -- by buttressing the efforts of people and institutions who believe in a biodiverse world infused with artistic expression and work to secure ways of life and landscapes that are beautiful, bountiful and resilient.

Christensen engages in place-based work concentrated in seven regions chosen for their potential to withstand and recover from the global erosion of diversity: the American Southwest, San Francisco Bay Area, Northern Mexico, Central Asia, the African Rift Valley, Northern Australia, and Melanesia. It also funds global initiatives spanning these and other regions.

In 2010, Christensen established MEC Menlo, LLC ("MEC") a California limited liability company. MEC is a Single Member LLC where Christensen is the sole member. Christensen also entered into an agreement between Christensen and MEC, in which MEC was assigned all rights, title and interest of Christensen as the lessor under the lease and sublease agreements of Christensen for a property in Menlo Park, California. In connection with such assignment, MEC assumed all liabilities and obligations of Christensen with respect to the lease.

#### b. Basis of Presentation

The consolidated financial statements of Christensen have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations.

Net assets and changes therein are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are those that are neither temporarily restricted nor permanently restricted by donor-imposed stipulations. There are no temporarily or permanently restricted net assets as of December 31, 2015 and 2014.

# The Christensen Fund

## Notes to Consolidated Financial Statements

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c. Principles of Consolidation

The consolidated financial statements include the accounts of The Christensen Fund and MEC Menlo, LLC. All intercompany accounts and transactions have been eliminated.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less.

e. Investments

Investments are reported at fair value. Changes in fair values as well as realized gains and losses are reflected in the statements of changes in net assets. Dividend and interest income are accrued when earned. Fair values are generally provided by using quoted market prices.

The fair value of alternative investments is determined using the Net Asset Value (NAV) per share as determined by investment managers under the so-called “practical expedient.” The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Alternative investments represent amounts in marketable and non-marketable alternatives such as private equity, real estate, absolute return, and pooled funds. These investments are further discussed in Note 3.

f. Fair Value Measurements

Christensen carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Christensen classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

# The Christensen Fund

## Notes to Consolidated Financial Statements

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g. Fair Value of Financial Instruments

The estimated fair value of Christensen's financial instruments not measured at fair value on a recurring basis (including receivables, other assets, accounts payable, accrued expenses and grants payable) approximates their carrying values due to their short length to maturity.

h. Contributions

Contributions received are reported as unrestricted, temporarily restricted or permanently restricted, depending upon donor restrictions, if any. Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met.

i. Grants

Grants awarded with an unconditional promise to give are accrued as a liability and expensed when approved. Grant cancellations or unspent funds are recorded in the year cancelled or the funds are returned.

j. Depreciation and Amortization

Christensen capitalizes all property and equipment with a cost greater than \$5,000 and an estimated useful life in excess of one year. Property and equipment, including income-producing property, are recorded at cost or, if donated, at the estimated fair value on the date of the gift. Depreciation and amortization is calculated using the straight-line method over the estimated useful for producing term of the asset, ranging from three to 20 years.

k. Long-Lived Assets

Christensen reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is recognized if the sum of undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

l. Functional Allocation of Expenses

Certain costs have been allocated among investment expenses and program administration expenses based on time records and on estimates made by the management of Christensen.

# The Christensen Fund

## Notes to Consolidated Financial Statements

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m. Federal Excise Taxes

The Christensen Fund is a private foundation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from California franchise and/or income taxes under Section 23701(d) of the California Revenue and Taxation Code.

Christensen is subject to federal excise tax on its investment income. A provision for federal excise tax is accrued. Deferred excise taxes arise primarily from unrealized tax basis gains on investments and are calculated at the effective rate expected to be paid by Christensen. In addition, Christensen may be subject to tax on unrelated business income, if any, generated by its investments.

Christensen follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 for accounting for uncertainty in income taxes. As of December 31, 2015 and 2014, management evaluated Christensen's tax positions and concluded that The Christensen Fund had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

n. Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

o. Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Update No. 2015-07 - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The accounting standard is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. The Christensen Fund elected to early implement this guidance during 2014. The adoption of this guidance did not have a material effect on the Christensen's consolidated financial statements.

# The Christensen Fund

## Notes to Consolidated Financial Statements

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In February 2016, the FASB issued authoritative guidance regarding Leases. The new standard will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. The standard will be effective for The Christensen Fund, since it is not deemed a public business entity, for its fiscal year beginning after December 15, 2019, and for interim periods beginning after December 15, 2020 with early application permitted. Entities are required to use modified retrospective application for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements with the option to elect certain transition reliefs. The Christensen Fund is currently evaluating the guidance and we are not certain of the impact but are assessing its implications.

In August 2016, the FASB issued ASU 2016-14 – Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities. The amendments in this Accounting Standards Update make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB’s improvements to net asset classification requirements and the information presented about a not-for-profit entity’s liquidity, financial performance, and cash flows. The amendments in the Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments in the Update is permitted and applied retrospectively. The Christensen Fund is currently evaluating the impact of this pronouncement on its consolidated financial statements.

p. Subsequent Events

The management of the Christensen has reviewed the changes in its net assets for the period of time from its fiscal year ended December 31, 2015 through September 20, 2016, the date the consolidated financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements and no subsequent events have occurred which would require disclosure, except as described in Notes 2, 3, 6, and 8.

# The Christensen Fund

## Notes to Consolidated Financial Statements

### Note 2 - Investments and Fair Value Measurements:

#### *Investments:*

At December 31, 2015 and 2014, the fair market value of investments consists of the following:

	2015	2014
Cash and cash equivalents	\$ 33,075	\$ 31,624
Alternative investments measured at net asset value as practical expedient:		
Private equity	13,341,769	14,942,005
Real estate	2,210,203	3,984,510
Absolute return	196,996	297,168
Pooled investments	221,281,903	201,741,885
	<hr/>	<hr/>
	\$ 237,063,946	\$ 220,997,192

Realized and unrealized gain on investments for December 31, 2015 and 2014 include the following:

	2015	2014
Realized gain	\$ 3,084,188	\$ 5,602,234
Unrealized gain	2,619,940	15,760,884
	<hr/>	<hr/>
Total	\$ 5,704,128	\$ 21,363,118

The Christensen Fund has unfunded commitments totaling approximately \$2.23 million and \$3.25 million as of December 31, 2015 and 2014, respectively.

During 2015, the Christensen Fund entered a new partnership with Global Endowment Management (GEM), named TCF Investments Holdings, LP to streamline tax and performance reporting for Christensen's investment portfolio. Subsequent to year end, Christensen transferred approximately \$214 million of investment funds to The Christensen Fund Investments Holdings, LP.

#### *Fair Value Measurement:*

Investments include money market funds that had a fair value of \$33,075 and \$31,624 at December 31, 2015 and 2014, respectively, and are classified as Level 1. The Christensen Fund's alternative investments are valued using the Net Asset Value per share (or its equivalent) and are not subject to the fair value hierarchy classification.

# The Christensen Fund

## Notes to Consolidated Financial Statements

### Note 3 - Net Asset Value Disclosures:

The Christensen Fund uses the Net Asset Value (NAV) as a practical expedient to determine the fair value of all the underlying investments which do not have readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments by major category as of December 31, 2015 and 2014:

Strategies	2015		2014		Redemption Frequency	Notice Period
	# of Funds	Valuation	# of Funds	Valuation		
<b>Alternative Investments:</b>						
<b>Private equity (a):</b>						
Venture capital funds	8	\$ 13,341,769	9	\$ 14,942,005	N/A	N/A
<b>Real estate (b):</b>						
Partnerships	3	2,210,203	3	3,984,510	N/A	N/A
<b>Absolute return (c):</b>						
Event driven:						
Non - Redeemable	1	176,686	1	266,170	N/A	N/A
Multi-strategy:						
Non - Redeemable	1	20,310	1	30,998	N/A	N/A
<b>Pooled funds:</b>						
Liquid Market Fund (d)	1	12,831,875	1	9,406,382	Monthly	25 days
Global Endowment Fund II (e)	1	197,012,491	1	192,335,503	Annually	120 days
TCF Investment Holdings LP (f)	1	1,440,154			Daily	N/A
Global Endowment Targeted Strategy (g)	1	9,997,383			Monthly	10 days
<b>Total</b>	<b>17</b>	<b>\$ 237,030,871</b>	<b>16</b>	<b>\$ 220,965,568</b>		

# The Christensen Fund

## Notes to Consolidated Financial Statements

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- a) Private equity funds invest in venture capital funds consisting of domestic and international private equity with the objective of long-term growth of capital. The partnerships typically have a legal life span of 1-9 years with no redemption rights for the limited partners. Unfunded commitments were \$1,497,254 and \$2,505,735 for 2015 and 2014, respectively. Subsequent to year end, Christensen also contributed \$90,000 to one of its investments and entered into a new investment commitment of \$3 million.
- b) This strategy invests in real estate and natural resources, both domestic and international. Natural resource funds invest primarily in crude oil, natural gas production and timberland. These funds generally cannot be redeemed and liquidity is expected in the form of distributions from the funds when the underlying assets are sold over the life of the partnerships. It is estimated that the underlying assets will be liquidated over the next 7 years, excluding any extension agreement. Unfunded commitments were \$640,501 and \$658,136 for 2015 and 2014, respectively.
- c) The strategy of the Absolute Return is to provide diversification benefits to the overall portfolio through lower correlation to other traditional asset classes (e.g. Equity and Fixed Income) and to provide a buffer during equity market declines. The Absolute Return investment include the following strategies:
- Event driven funds typically invest in the securities of companies with publicly announced corporate events and other special situations whose outcomes are largely independent and uncorrelated with other markets, including mergers, corporate restructurings, corporate takeovers and spin-offs. Unfunded commitments were \$90,000 for both 2015 and 2014.
- Multi-strategy managers invest in a wide variety of securities, typically rotating between equity, bank debt, convertible bonds, and other fixed income securities depending on the manager's view on relative attractiveness, with the objective of exploiting arbitrage opportunities or identifying undervalued assets without incurring systematic market risk.
- d) The Liquid Market Fund seeks to achieve its objective by diversifying across multiple asset classes, and may invest in common and preferred stocks, exchange-traded funds, mutual funds, master limited partnerships, real estate investment trusts, high yield bonds, government securities and money market instruments, and derivative and other synthetic instruments. The shares may be redeemed on a monthly basis and the redemption request must be made prior to the 25<sup>th</sup> day of the month.

# The Christensen Fund

## Notes to Consolidated Financial Statements

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- e) The Global Endowment Fund II employs strategies including: public equities, venture capital, private equity, real estate, natural resources and hedged strategies. Christensen can participate in annual redemptions with a 120-day redemption notice period. Payment of redemption proceeds for accepted redemption requests will be made within 60 days after the redemption date. The total redemption available annually is limited to 7% of the NAV as of December 31. At least 90% of any amount withdrawn will be paid within 60 days. The remaining will be paid no later than 60 days after the completion of the annual audit.
- f) TCF Investments Holding, LP (TCFIH) is a private investment partnership that via a separately managed account acquired and held marketable securities at December 31, 2015. Golden Capital Management, LLC acts as the advisor to Global Endowment Management of that account, pricing that portfolio monthly and providing a statement with a total portfolio net asset value for the marketable securities. As of December 31, 2015, TCFIH is redeemable daily without any restrictions. Subsequent to year-end, The Christensen Fund transferred numerous other accounts and portfolios into TCFIH, so that TCFIH could be a holding partnership for those various investments, accounts and portfolios. Each of these investments, accounts and portfolios has its own liquidity profile, ranging from daily to longer than three years. Global Endowment Management is the advisor and manager, collectively, of these investments, accounts, and portfolios, and is advised by Golden Capital Management on one portion of these assets. Subsequent to year end, Christensen transferred approximately \$214 million of investment funds to the TCFIH.
- g) The Global Endowment Targeted Strategy Fund is a private investment partnership offering a short-term cash investment program. The investment fund invests most of its assets in GEF-FED, LP. GEF-FED, LP invests predominately in high grade short-term interest bearing securities issued by corporate, federal, state and local government agencies. Christensen is subject to monthly redemption with a 10-day redemption notice period.

### **Note 4 - Income-Producing Property:**

Income-producing property at December 31, 2015 and 2014 consists of land in the amount of \$2,115,254.

MEC, leases the land and sub-leases an operating ground lease to an unrelated third party under a master lease arrangement. The master lease expires on October 31, 2058.

# The Christensen Fund

## Notes to Consolidated Financial Statements

Future minimum rental income under the master lease is as follows:

Year Ended December 31,	
2016	\$ 810,236
2017	810,236
2018	810,236
2019	810,236
2020	810,236
Thereafter	35,377,374
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Total	\$ 39,428,554

The operating ground leases expire on October 31, 2058. This rent is adjusted every 10 years to up to one half of one percent per month of the fair market value of the land. If the sub-lessee were to default on the ground lease, MEC, would be responsible for the rent.

### Note 5 - Prepaid Expenses and Other Assets:

Prepaid expenses and other assets at December 31, 2015 and 2014 consisted of the following:

	2015	2014
Receivables		\$ 723,719
Mineral rights	\$ 1,117,824	1,126,886
Note receivable	270,146	277,849
Property and equipment, (net of \$1,057,533 accumulated depreciation)	61,674	72,140
Prepaid excise tax	105,401	335,700
Other	113,599	101,812
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	\$ 1,668,644	\$ 2,638,106

In a prior year, Christensen received contributions in the form of mineral rights for property in Colorado and Wyoming. Christensen maintains all rights to develop and maintain the existing mineral rights. Upon receipt of the contributions Christensen obtained appraisals on each of the properties and it was determined that the fair value of the mineral rights when received were \$428,890 and \$537,760, respectively.

# The Christensen Fund

## Notes to Consolidated Financial Statements

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A portion of the Wyoming property is income producing and will be amortized over an estimated 21-year life of the producing property. As of December 31, 2015 the net present value of the income producing property in Wyoming is \$151,174.

Depreciation and amortization expense on property and equipment for 2015 and 2014 was \$53,298 and \$77,369, respectively.

### **Note 6 - Line of Credit:**

In prior year, Christensen entered into a revolving line of credit agreement with Wells Fargo Bank in the amount of \$2,000,000, which matured on January 15, 2015 and is collateralized by all inventory, equipment and accounts. The interest rate on this note is 3.5% and requires monthly payments of interest only, with the entire principal and unpaid interest due at maturity. In 2014, the revolving line of credit was renewed with maturity date of January 5, 2016.

Subsequent to year end, the line of credit was renewed under similar terms through January 22, 2017. At December 31, 2015, there is no balance outstanding on this note.

### **Note 7 - Grants Payable:**

Total grants payable as of December 31, 2015 and 2014 were \$4,744,600 and \$4,163,289, respectively. Grants payable as of December 31, 2015 are expected to be paid as follows: \$4,629,600 within one year and \$115,000 within two to five years.

As of December 31, 2015, conditional grants were approved by the board for a maximum of \$2,250,000. As of December 31, 2014, conditional grants were projected to be \$3,059,000. The actual amount granted was \$3,030,700 of which \$1,727,000 was expensed during 2015.

### **Note 8 - Bequest:**

Christensen is the beneficiary under a trust administered by other parties, the total realizable amount of which is not presently determinable. Such amounts are recognized in Christensen's consolidated financial statements as bequests receivable and income when clear title is established and the proceeds are measureable. Accordingly, the assets of these trusts are not included in the accompanying consolidated statement of financial position.

Subsequent to year end, Christensen received the final distributions from the trust of approximately \$29,986,000.

# The Christensen Fund

## Notes to Consolidated Financial Statements

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### Note 9 - Lease Obligations:

Christensen maintains an office location in San Francisco and a regional office in Bishkek, Kyrgyzstan. The San Francisco lease is for a term of 71 months expiring in March 2016 with monthly base rent of \$17,100 and a 4% annual increase. In November 2015, Christensen entered into a new lease agreement effective December 1, 2015 for a term of 61 months expiring December 2020 with monthly base rent of \$16,885 and a 3% annual increase.

In addition, Christensen maintains lease agreement for office equipment. Future minimum lease payments are as follows:

Year Ended December 31,	
2016	\$ 274,500
2017	257,900
2018	264,200
2019	270,700
2020	265,100
<hr/>	
Total	\$ 1,332,400

Total rent expense under all operating leases for 2015 and 2014 were \$285,251 and \$255,192, respectively.

### Note 10 - Excise Taxes:

In accordance with the applicable Treasury provisions, Christensen is classified as a private foundation subject to an excise tax of two percent on net investment income, including realized gains. Christensen is eligible to reduce its tax liability from two percent to one percent of net investment income if a certain level of distributions, calculated as defined in the Treasury regulations, is attained. The tax rate for the current excise tax provision was two percent for 2015 and 2014. Christensen provides for deferred excise tax at the rate of two percent on its unrealized appreciation on investments.

# The Christensen Fund

## Notes to Consolidated Financial Statements

The provisions for current and deferred taxes for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Current excise tax	\$ 390,793	\$ 97,880
Deferred excise tax	61,500	384,708
<b>Total</b>	<b>\$ 452,293</b>	<b>\$ 482,588</b>

### Note 11 - Concentrations of Risk:

Investments in general are exposed to various risks, such as interest rate, credit and overall market volatility. The alternative investments include additional risks such as limited liquidity, non-marketable investments and dependence on key individuals. To address the risk of investments, Christensen maintains a formal investment policy that sets out performance criteria, investment guidelines, asset allocation guidelines and requires review of the investment performance.

As of December 31, 2015 one investment fund represented approximately 83% of total investments. As of December 31, 2014 one investment fund represented approximately 87% of total investments.

Christensen maintains its cash in bank accounts in amounts which, at times, may exceed federally insured limits. Christensen has not experienced any losses in such accounts.

### Note 12 - Related Parties:

Christensen has and may continue to have Trustees, committee members, and staff members who are affiliated with organizations that are current grantees or are being considered for a grant by Christensen. Christensen has a conflict of interest policy which covers situations that may constitute a conflict of interest and the procedure to address the conflict when it occurs. The policy requires Trustees, committee members, and staff members to annually update and disclose to the governing Board their grantee and organization relationships.