Consolidated Financial Statements and Report of Independent Certified Public Accountants

The Pew Charitable Trusts

June 30, 2016 and 2015

Contents

Grant Thornton LLP
Two Commerce Square
2001 Market St., Suite 700
Philadelphia, PA 19103

T 215.561.4200
F 215.561.1066
GrantThornton.com
linked.in/GrantThorntonUS
twitter.com/GrantThorntonUS

Report of Independent Certified Public Accountants

Board of Directors
The Pew Charitable Trusts

Report on the financial statements

We have audited the accompanying consolidated financial statements of The Pew Charitable Trusts and its subsidiary, the Pew Research Center, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Pew Charitable Trusts and its subsidiary as of June 30, 2016 and 2015, and the results of their activities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Philadelphia, Pennsylvania

November 18, 2016

The Pew Charitable Trusts

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS	2016	2015
Cash	$ 16,884,175	$ 14,913,007
Accounts receivable	118,302	311,682
Prepaid expenses	3,983,328	3,891,002
Contributions receivable, net	92,540,785	34,966,876
Investments	903,090,783	553,652,662
Property and equipment, net	216,544,937	219,882,880
Beneficial interest in supporting charitable trusts	5,007,178,803	5,332,486,391
Retirement plan assets	4,045,230	4,074,209
Other assets	589,537	735,067
Total assets	$ 6,244,975,880	$ 6,164,913,776
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other accrued expenses	$ 13,096,544	$ 11,409,896
Accrued vacation expense	5,332,721	4,886,177
Grants payable, net	73,089,365	79,454,020
Deferred rent	13,816,055	10,713,382
Accrued pension and postretirement expense	44,650,500	49,179,519
Bonds payable, net	163,793,037	168,656,331
Interest rate swaps	44,416,488	31,348,645
Other liabilities	233,132	205,000
Total liabilities	358,427,842	355,852,970
NET ASSETS		
Unrestricted	791,951,440	381,470,544
Temporarily restricted	87,417,795	95,103,871
Permanently restricted	5,007,178,803	5,332,486,391
Total net assets	5,886,548,038	5,809,060,806
Total liabilities and net assets	$ 6,244,975,880	$ 6,164,913,776

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

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues				
Distributions from supporting charitable trusts	$ 221,943,299	$ 47,670,403	$ -	$ 269,613,702
Contributions	396,225,934	32,709,597	-	428,935,531
Investment gains, net	20,882,725	-	-	20,882,725
Other income	2,570,956	-	-	2,570,956
Returned grants	400,995	-	-	400,995
Change in the fair value of the beneficial interest in trusts	-	-	(325,307,588)	(325,307,588)
Net assets released from restrictions	88,066,076	(88,066,076)	-	-
Total revenues	730,089,985	(7,686,076)	(325,307,588)	397,096,321
Operating expenses				
Grants	78,556,786	-	-	78,556,786
Program	211,805,480	-	-	211,805,480
General and administration	17,080,033	-	-	17,080,033
Fundraising	7,037,451	-	-	7,037,451
Total operating expenses	314,479,750	-	-	314,479,750
Change in net assets from operating activities	415,610,235	(7,686,076)	(325,307,588)	82,616,571
Non-operating expenses (income)				
Fixed asset write-off	422,214	-	-	422,214
Change in retirement plan benefit obligation	(13,848,043)	-	-	(13,848,043)
Bond and swap interest expense	5,487,325	-	-	5,487,325
Change in fair value of interest rate swaps	13,067,843	-	-	13,067,843
Total non-operating expenses	5,129,339	-	-	5,129,339
Change in net assets	410,480,896	(7,686,076)	(325,307,588)	77,487,232
Net assets - beginning of the year	381,470,544	95,103,871	5,332,486,391	5,809,060,806
Net assets - end of the year	$ 791,951,440	$ 87,417,795	$ 5,007,178,803	$ 5,886,548,038

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

The Pew Charitable Trusts

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues				
Distributions from supporting charitable trusts	$ 216,997,324	$ 46,612,838	$ -	$ 263,610,162
Contributions	16,522,084	21,891,963	-	38,414,047
Investment gains, net	7,572,894	-	-	7,572,894
Other income	2,669,967	-	-	2,669,967
Returned grants	252,385	-	-	252,385
Change in the fair value of the beneficial interest in trusts	-	-	(50,316,656)	(50,316,656)
Net assets released from restrictions	90,761,167	(90,761,167)	-	-
Total revenues	334,775,821	(22,256,366)	(50,316,656)	262,202,799
Operating expenses				
Grants	89,885,530	-	-	89,885,530
Program	200,287,195	-	-	200,287,195
General and administration	15,080,352	-	-	15,080,352
Fundraising	6,601,054	-	-	6,601,054
Total operating expenses	311,854,131	-	-	311,854,131
Change in net assets from operating activities	22,921,690	(22,256,366)	(50,316,656)	(49,651,332)
Non-operating expenses (income)				
Fixed asset write-off	151,736	-	-	151,736
Change in retirement plan benefit obligation	(1,313,049)	-	-	(1,313,049)
Bond and swap interest expense	5,696,627	-	-	5,696,627
Change in fair value of interest rate swaps	3,022,560	-	-	3,022,560
Total non-operating expenses	7,557,874	-	-	7,557,874
Change in net assets	15,363,816	(22,256,366)	(50,316,656)	(57,209,206)
Net assets - beginning of the year	366,106,728	117,360,237	5,382,803,047	5,866,270,012
Net assets - end of the year	$ 381,470,544	$ 95,103,871	$ 5,332,486,391	$ 5,809,060,806

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,

	2016	2015
Cash flows from operating activities		
Change in net assets	$ 77,487,232	$ (57,209,206)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	10,509,881	9,518,627
Loss on disposal of fixed assets	422,214	151,736
Bad debt expense	185,000	-
Net unrealized and realized (gains) losses on investments	(7,749,026)	4,126,991
Net change in beneficial interest in supporting charitable trusts	55,693,886	(213,293,506)
Change in fair value of interest rate swaps	13,067,843	3,022,560
Changes in assets and liabilities		
Accounts receivable	193,380	568,934
Prepaid expenses	(92,326)	413,065
Contributions receivable	(57,758,909)	4,248,798
Distributions from supporting charitable trusts	269,613,702	263,610,162
Accounts payable and other accrued expenses	1,686,648	395,523
Accrued vacation expense	446,544	581,279
Grants payable	(6,364,655)	10,437,260
Accrued pension and postretirement expense	(4,500,040)	7,041,165
Other assets and liabilities	3,276,335	7,791,420
Net cash provided by operating activities	356,117,709	41,404,808
Cash flows from investing activities		
Purchase of investments	(1,902,218,741)	(591,494,988)
Sale of investments	1,560,529,646	556,500,365
Purchase of property and equipment	(7,532,446)	(16,270,062)
Net cash used in investing activities	(349,221,541)	(51,264,685)
Cash flows from financing activities		
Payment of bond principal	(4,925,000)	(4,760,000)
Net cash used in financing activities	(4,925,000)	(4,760,000)
Net increase (decrease) in cash	1,971,168	(14,619,877)
Cash and cash equivalents at beginning of year	14,913,007	29,532,884
Cash and cash equivalents at end of year	$ 16,884,175	$ 14,913,007

Total interest paid was $5,480,059 and $5,693,788 for the years ended June 30, 2016 and 2015, respectively.

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

NOTE A - ORGANIZATION

The accompanying consolidated financial statements present the consolidated financial position, consolidated activities and consolidated cash flows of The Pew Charitable Trusts (Pew) and its subsidiary, the Pew Research Center (the Center), (collectively, the Organization). All significant intra-organization accounts and transactions have been eliminated in consolidation.

With primary offices in Philadelphia, Pennsylvania and Washington, D.C. and other locations throughout the world, Pew is a Pennsylvania nonprofit corporation, recognized as exempt from federal income tax as a publicly-supported charitable organization described under Section 501(c)(3) of the Internal Revenue Code of 1986 (the Code). It serves the public interest by improving public policy, informing the public and invigorating civic life.

The Center is a Pennsylvania nonprofit corporation based in Washington, D.C. It is a nonpartisan "fact tank" that informs the public about the issues, attitudes and trends shaping America and the world. In addition to funding, Pew provides administrative support services, including fundraising, accounting, technology, and research support services to the Center.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared and are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

U.S. GAAP requires that net assets be classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted - Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Permanently restricted - Net assets subject to donor-imposed stipulations that are maintained permanently by the Organization.

Expirations of temporary restrictions on net assets from contributions and distributions from supporting charitable trusts are reported as releases from temporarily restricted net assets to unrestricted net assets, with the exception of contributions received and expended in the same accounting period, which are recorded as unrestricted net assets.

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Cash

The Organization's cash may be held in accounts that are in excess of federally insured limits. The Organization has not experienced losses on these accounts and believes that it is not exposed to significant credit risk.

3. Contributions Revenue and Related Contributions Receivable, net

Unconditional contributions, including cash, promises to give, and other assets are recorded as revenue at fair value in the year received. The fair value of contributions receivable is recorded at the present value of expected future cash flows using risk-adjusted rates ranging from 0.58% to 3.10%. Conditional contributions are recorded as revenue when stipulated conditions on which they depend are substantially met. Management reviews the historical data related to actual contributions to determine if an allowance is needed. There was no allowance for doubtful accounts at June 30, 2016 and 2015, as management deems all receivables to be collectible.

4. Investments

Investments consist of equity and debt securities which are stated at fair value. Fair value is determined based on quoted market prices. Investment sales and purchases are determined using the specific identification method. Changes in the fair value of investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations.

5. Property and Equipment, net

Property and equipment are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets. Land is recorded at cost and is not depreciated. Maintenance and repairs are charged to expense as incurred. The estimated useful lives of depreciable assets are as follows:

Building	Lesser of 39 years or remaining useful life of the asset
Furniture and equipment	7 years
Data processing equipment and software	3 years
Leasehold and tenant improvements	Lesser of the useful life of the asset or lease term

6. Beneficial Interest in Supporting Charitable Trusts

Pew is the sole beneficiary of seven individual supporting charitable trusts. Distributions from the trusts vary and are based on a formula which in part is determined by their underlying fair value. Pew's beneficial interest in the trusts is recorded at the fair value of the assets underlying the trusts, and is classified in permanently restricted net assets.

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The underlying investments of the beneficial interest in the supporting charitable trusts consist of cash and cash equivalents, government obligations, corporate obligations, mutual funds, equity securities, and tangible asset-backed securities, as well as various alternative assets including hedge, real estate and private equity funds.

Alternative investments are recorded at their estimated net asset value per share. In the absence of readily determinable fair value, fair value of each investment is determined based on a review of the audited financial statements of the underlying funds, when available, and other information from third parties, including information provided by the fund managers, the general partners and research performed by The Glenmede Trust Company, NA (Glenmede). At June 30, 2016 and 2015, alternative investments of $4,020,998,324 and $4,190,555,217, respectively, were included in Pew's beneficial interest in supporting charitable trusts. Alternative investments carry certain risks, including lack of regulatory oversight, interest rate risk, and market risk. Due to the level of risk associated with these investments, it is at least reasonably possible that changes in risk factors in the near term would materially affect the amounts reported in the consolidated statements of financial position.

7. Retirement Plan Assets

Retirement plan assets are invested in mutual funds with readily determinable fair values based on quoted market prices.

8. Grants Payable, net

Grant commitments, including multi-year grants, are recorded at fair value. The fair value of expected grant payments is recorded at the present value of expected future payments, discounted at rates ranging from 0.60% to 1.02%. Conditional grants are recognized when the stated conditions are met.

9. Income Taxes

Pew and the Center have been granted tax-exempt status under Section 501(c)(3) of the Code and, accordingly, are not subject to federal income tax.

Using a threshold of "more likely than not," the Organization believes it has not taken any material uncertain tax positions. The Organization's tax periods ended June 30, 2013 through June 30, 2016 for the federal tax jurisdiction remain open.

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. The most significant management estimates relate to the determination of allowances for doubtful contributions receivable, useful lives of fixed assets, actuarial estimates for the Organization's postretirement plans, value of beneficial interests in supporting charitable trusts, value of interest rate swaps, functional expense allocation, and reported fair values of certain of the Organization's assets and liabilities. Actual results could differ from those estimates.

11. Fair Value of Financial Instruments

Financial instruments consist of cash, accounts and contributions receivable, investments, accounts and grants payable, interest rate swaps and bonds payable. The carrying amounts of financial instruments reported in the consolidated statements of financial position approximate fair value.

12. Reclassifications

Certain reclassifications have been made to the 2015 consolidated financial statements to conform to the 2016 presentation. These reclassifications had no impact on net assets or changes in net assets.

13. Recently Issued Accounting Pronouncements

Accounting Standards Update ("ASU") 2014-09, *Revenue (Topic 606): Revenue from Contracts with Customers*, provides updated guidance to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. Contribution revenue is specifically excluded from the scope of this update. The new guidance is effective for fiscal years beginning after December 15, 2017. Management has determined that the implementation of this ASU will not have a material effect on the Organization's consolidated financial statements.

ASU 2016-02, *Leases (Topic 842)*, was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under ASU 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments and a right-to-use asset representing its right to use the underlying asset for the lease term. This ASU is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. An entity will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Management has determined that the Organization has leases that are within the scope of this ASU which will require the reporting of a lease liability and a related right-of-use asset in accordance with the new guidance. Changes made under the new pronouncement are not expected to have a material impact on the Organization's net assets.

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, intends to make certain improvements to the current reporting requirements for not-for-profit entities including: (1) the presentation for two classes of net assets at the end of the period, rather than the currently required three classes, as well as the annual change in each of the two classes; (2) disclosure of the amounts of expenses by both their natural and functional classification; (3) disclosure of methods used to allocate costs among program and support functions; and (4) the requirement to provide certain enhanced disclosures relating to various not-for-profit specific topics. The new standard is effective for annual financial statements beginning after December 15, 2017. Management has determined that the adoption of this ASU will require new disclosures in the consolidated financial statements, but will not affect the total reported amounts of assets and liabilities or revenues and expenses.

NOTE C - CONTRIBUTIONS RECEIVABLE, NET

At June 30, 2016, contributions receivable are expected to be received as follows:

One year or less	$ 73,767,909
One to five years	18,881,445
Greater than five years	1,000,000
	93,649,354
Less present value discount	(1,108,569)
Total contributions receivable, net	$ 92,540,785

NOTE D - INVESTMENTS

Investment gains, net include $13,133,699 and $11,699,885 of interest and dividend income for the years ended June 30, 2016 and 2015, respectively.

The Finance Committee of the Board of Directors of Pew authorized a portion of investments for a board-designated operating reserve in an amount based upon a fixed percentage of the current year's operating budget, plus an amount for unanticipated capital replacements. The operating reserve at June 30, 2016 and 2015 was $186,500,000 and $170,000,000, respectively.

NOTE E - FAIR VALUE MEASUREMENTS

The Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the hierarchy are described below:

Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 Financial assets and liabilities whose values are based on one or more of the following:

1. Quoted prices for similar assets or liabilities in active markets;
2. Quoted prices for identical or similar assets or liabilities in non-active markets;
3. Pricing models whose inputs are observable for substantially the full term of the asset or liability; or
4. Pricing models whose inputs are derived principally from, or corroborated by, observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's judgments regarding the assumptions a market participant would use in pricing the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurements. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

(Continued)

NOTE E - FAIR VALUE MEASUREMENTS - Continued

The following tables present information about the Organization's financial assets and liabilities that were measured at fair value on a recurring basis as of June 30, 2016 and 2015 by level within the fair value hierarchy.

	June 30, 2016			
Description	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash and cash equivalents	$ 72,626,769	$ -	$ -	$ 72,626,769
Treasury	110,863,269	-	-	110,863,269
Mutual funds	152,971,753	-	-	152,971,753
Corporate obligations	-	205,054,643	-	205,054,643
Asset-backed securities	-	111,079,509	-	111,079,509
Mortgage-backed securities	-	16,024,834	-	16,024,834
Government obligations	-	68,172,688	-	68,172,688
Equity securities	166,297,318	-	-	166,297,318
Subtotal	502,759,109	400,331,674	-	903,090,783
Beneficial interest in supporting charitable trusts	-	-	5,007,178,803	5,007,178,803
Retirement plan assets	4,045,230	-	-	4,045,230
Liabilities				
Interest rate swaps	$ -	$ 44,416,488	$ -	$ 44,416,488

(Continued)

NOTE E - FAIR VALUE MEASUREMENTS - Continued

	June 30, 2015			
Description	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash and cash equivalents	$ 17,087,779	$ -	$ -	$ 17,087,779
Treasury	77,622,452	-	-	77,622,452
Mutual funds	91,443,046	-	-	91,443,046
Corporate obligations	-	199,705,662	-	199,705,662
Asset-backed securities	-	36,285,558	-	36,285,558
Mortgage-backed securities	-	16,339,726	-	16,339,726
Government obligations	-	51,658,641	-	51,658,641
Equity securities	63,509,798	-	-	63,509,798
Subtotal	249,663,075	303,989,587	-	553,652,662
Beneficial interest in supporting charitable trusts	-	-	5,332,486,391	5,332,486,391
Retirement plan assets	4,074,209	-	-	4,074,209
Liabilities				
Interest rate swaps	$ -	$ 31,348,645	$ -	$ 31,348,645

(Continued)

NOTE E - FAIR VALUE MEASUREMENTS - Continued

The activity of the fair value measurements for the Level 3 assets is as follows:

	The Pew Memorial Trust	Medical Trust	J. Howard Pew Freedom Trust	J. N. Pew Jr. Charitable Trust	Mabel Pew Myrin Trust	Mary Anderson Trust	The Knollbrook Trust	Total
Balance, June 30, 2014	$ 3,568,876,290	$ 217,971,453	$ 733,473,188	$ 353,238,009	$ 451,090,136	$ 49,257,149	$ 8,896,822	$ 5,382,803,047
Change in fair value of assets	141,751,224	8,639,173	29,118,523	14,007,213	17,966,112	1,539,572	271,689	213,293,506
Distributions from supporting charitable trusts	(174,696,332)	(10,695,422)	(35,917,416)	(17,314,533)	(22,100,780)	(2,444,291)	(441,388)	(263,610,162)
Balance, June 30, 2015	3,535,931,182	215,915,204	726,674,295	349,930,689	446,955,468	48,352,430	8,727,123	5,332,486,391
Change in fair value of assets	(37,582,943)	(2,082,640)	(7,502,839)	(3,521,408)	(4,663,124)	(281,361)	(59,571)	(55,693,886)
Distributions from supporting charitable trusts	(178,704,100)	(10,934,183)	(36,736,219)	(17,704,353)	(22,603,457)	(2,483,010)	(448,380)	(269,613,702)
Balance, June 30, 2016	$ 3,319,644,139	$ 202,898,381	$ 682,435,237	$ 328,704,928	$ 419,688,887	$ 45,588,059	$ 8,219,172	$ 5,007,178,803

NOTE F - PROPERTY AND EQUIPMENT, NET

At June 30, 2016 and 2015, property and equipment consisted of:

	2016	2015
Land	$ 90,000,000	$ 90,000,000
Building and tenant improvements	130,432,744	129,359,097
Furniture and equipment	6,169,241	6,200,097
Information technology equipment and software	29,330,537	27,201,711
Leasehold improvements	11,704,658	11,841,762
	267,637,180	264,602,667
Less accumulated depreciation	(51,092,243)	(44,719,787)
Property and equipment, net	$ 216,544,937	$ 219,882,880

Depreciation expense for the years ended June 30, 2016 and 2015 was $10,448,175 and $9,456,921, respectively.

NOTE G - GRANTS PAYABLE, NET

At June 30, 2016, expected payments under grant commitments were as follows:

Year ending June 30,	
2017	$ 61,568,302
2018	9,677,756
2019	2,055,000
	73,301,058
Less present value discount	(211,693)
Grants payable, net	$ 73,089,365

Pew had unpaid conditional grants outstanding of $908,180 and $927,000 at June 30, 2016 and 2015, respectively.

In addition to grants, the Pew Board of Directors has authorized charitable projects to be operated by the Pew staff. At June 30, 2016 and 2015, there was $223,646,912 and $179,604,950, respectively, authorized to expend on charitable projects that had not yet been committed.

NOTE H - BONDS PAYABLE

At June 30, 2016 and 2015, Pew had $165,130,000 and $170,055,000, respectively, of tax exempt bonds outstanding. The interest rate on the bonds is based on the Securities Industry and Financial Markets Association (SIFMA) index, which was 0.41% and 0.07% on June 30, 2016 and 2015, respectively. The bonds are collateralized by an irrevocable letter of credit which expires on October 24, 2021. The bonds are remarketed on a weekly basis by a remarketing agent on a best efforts basis. If the bonds tendered are not remarketed, the letter of credit is in place to satisfy the bond obligation. If the liquidity facility provided by the letter of credit is drawn upon, Pew is obligated to repay the principal on demand. Pew expects that any bonds submitted for tender will continue to be remarketed successfully due to the credit-worthiness of the letter of credit provider. The letter of credit requires that Pew comply with certain financial covenants, with which they are in compliance for the year ended June 30, 2016. The available amount under the letter of credit as of June 30, 2016 was $167,844,466.

(Continued)

NOTE H - BONDS PAYABLE - Continued

The aggregate future maturities of the tax exempt bonds are as follows:

Year ending June 30,	
2017	$ 5,100,000
2018	5,280,000
2019	5,465,000
2020	5,655,000
2021	5,855,000
Thereafter	137,775,000
	165,130,000
Deferred financing costs, net of amortization	(1,336,963)
	$ 163,793,037

Bond interest expense in 2016 and 2015 totaled $207,614 and $80,325, respectively.

NOTE I - INTEREST RATE SWAPS

In March 2008, Pew entered into interest rate swap agreements in order to hedge interest rate exposure on its underlying variable rate tax exempt bonds. The swap agreements are as follows:

Swap	Notional amount	Maturity date	Fixed rate	Floating rate*
Series 2008A	$ 81,673,820	4/1/2038	3.366%	67% of USD-LIBOR
Series 2008A	83,456,180	4/1/2038	3.327%	67% of USD-LIBOR

* Calculated on a monthly basis

Pew expensed interest of $5,279,711 and $5,616,302 under the interest rate swap agreements for the years ended June 30, 2016 and 2015, respectively.

NOTE J - NET ASSETS

Unrestricted Net Assets

Unrestricted net assets include the board-designated operating reserve. (See Note D.)

Temporarily Restricted Net Assets

Funds received from two of the seven supporting charitable trusts are restricted as to purpose. Funds from the J. Howard Pew Freedom Trust are restricted to a number of purposes related to freedom, the American form of government, the media and religious faith. Distributions from the Medical Trust to Pew are restricted for general medical purposes, including research, education, treatment, convalescence and all related purposes. At June 30, 2016 and 2015, temporarily restricted net assets consisted of the following:

	2016	2015
J. Howard Pew Freedom Trust distributions	$ 13,075,575	$ 30,699,435
Medical Trust distributions	96,414	-
Temporarily restricted net assets for grants and charitable expenditures	74,245,806	64,404,436
Total temporarily restricted net assets	$ 87,417,795	$ 95,103,871

Net assets released from restrictions represent payments of grants and charitable expenditures from temporarily restricted contributions and distributions from the seven supporting charitable trusts.

Permanently Restricted Net Assets

Permanently restricted net assets represent the beneficial interest in the seven supporting charitable trusts. (See Note B6.)

NOTE K - RETIREMENT PLANS

401(k) Plan

Pew and the Center provide defined contribution savings plans to all eligible employees. The Organization's contributions to these plans for the years ended June 30, 2016 and 2015 were $10,921,489 and $9,543,817, respectively.

Supplemental Employee Retirement Plan Assets

Certain Pew employees participate in a legacy supplemental employee retirement plan (SERP) that provided employer contributions above the IRS 401(k) caps. That plan is now frozen. The SERP assets and corresponding liability are included in the consolidated statements of financial position in retirement plan assets and accrued pension and postretirement expense, respectively.

(Continued)

NOTE K - RETIREMENT PLANS - Continued

457(f) Plan

In December 2004, a 457(f) plan was formed to provide benefits to designated Pew senior management whose employment terminates under certain specified situations. The plan is an unfunded excess benefit plan. Effective December 31, 2012, all benefits in the plan were fully vested. The benefits liability is included in the consolidated statements of financial position in accrued pension and postretirement expense.

The 457(f) plan was later amended to include an annual benefit accrual beginning in January 2013 until the current participant's retirement. The value of the annual benefit is included in compensation expense, and the corresponding liability is included in the consolidated statements of financial position in accrued pension and postretirement expense.

The benefit payments, which reflect expected future service, are expected to be paid between 2017 and 2026 and total $878,300. Pew expects to make a contribution in the amount of $224,850 to the amended plan for the year ending June 30, 2017.

Discount rates of 3.75% and 4.50% were used to determine the benefit obligation at June 30, 2016 and 2015, respectively. Discount rates of 4.50% and 4.25% were used to determine the net periodic pension cost at June 30, 2016 and 2015, respectively.

	2016	2015
Benefit obligation at beginning of year	$ 1,717,310	$ 1,525,620
Interest cost	77,223	64,786
Recognized actuarial loss	12,780	9,953
Net periodic benefit cost	90,003	74,739
Unrecognized actuarial (gain) loss in unrestricted net assets	(196,043)	116,951
Benefit obligation at end of year	$ 1,611,270	$ 1,717,310

NOTE K - RETIREMENT PLANS - Continued

Postretirement Medical and Life Insurance Plan

Pew's Retiree Health Plan (the Plan) provides for limited reimbursement of health care insurance costs for retirees who reach the age of 55 and have at a least ten years of service. On June 30, 2016, the Plan was amended. Under the amended Plan, staff who reached the age of 50 or had ten years of service by June 30, 2016 had the option of (1) being grandfathered into the current Plan, or (2) receiving a Health Savings Account (HSA) cash contribution based on years of service. Staff who had not reached the age of 50 or attained ten years of service by June 30, 2016 will become eligible to receive a HSA cash contribution based on years of service. Staff hired on or after July 1, 2016 are not eligible to participate in the Plan.

Change in benefit obligation

	2016	2015
Benefit obligation at beginning of year	$ 43,388,000	$ 36,680,000
Service cost	6,478,000	5,822,000
Interest cost	2,154,000	1,639,000
Amendments	(13,349,000)	-
Actuarial loss (gain)	929,000	(227,000)
Benefits paid	(606,000)	(526,000)
Benefit obligation at end of year	$ 38,994,000	$ 43,388,000

Change in plan assets

This plan is unfunded and Pew pays benefits as they become due.

Components of net periodic benefit cost and other amounts recognized in unrestricted net assets

Net periodic benefit cost

	2016	2015
Service cost	$ 6,478,000	$ 5,822,000
Interest cost	2,154,000	1,639,000
Amortization of prior service cost	620,000	620,000
Recognized actuarial loss	6,000	57,000
Net periodic benefit cost	$ 9,258,000	$ 8,138,000

(Continued)

NOTE K - RETIREMENT PLANS - Continued

Other changes in plan assets and benefit obligations recognized in unrestricted net assets

	2016	2015
Net actuarial loss (gain)	$ 929,000	$ (227,000)
Recognized actuarial loss	(6,000)	(57,000)
Prior service credit	(13,349,000)	-
Recognized prior service cost	(620,000)	(620,000)
Total recognized in unrestricted net assets	$ (13,046,000)	$ (904,000)
Total recognized in net periodic benefit cost and unrestricted net assets	$ (3,788,000)	$ 7,234,000

Assumptions

Weighted average assumptions used to determine the benefit obligation and net periodic postretirement benefit cost at June 30:

	2016	2015
Discount rate	3.75%	5.00%
Assumed health care cost trend rates		
Initial trend rate	3.00%	3.00%
Ultimate trend rate	3.00%	3.00%
Year ultimate trend rate is reached	2016	2015

Health care cost trend sensitivity analysis

Pew has the ability to determine benefits independent of changes in health care costs and, as a result, does not perform a health care cost trend sensitivity analysis.

Expected future benefit payments

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

Year ending June 30,	
2017	$ 615,000
2018	707,000
2019	866,000
2020	1,006,000
2021	1,157,000
2022-2026	9,738,000

NOTE L - COMMITMENTS AND CONTINGENCIES

Leases

The Organization has entered into operating leases for office facilities in Philadelphia, Washington, D.C., London, and other locations. Occupancy expense for the years ended June 30, 2016 and 2015 was $5,966,711 and $7,433,927, respectively.

Future minimum rental payments under these operating leases, as well as leases for equipment rental, are as follows:

Year ending June 30,	
2017	$ 4,694,547
2018	4,600,968
2019	4,354,950
2020	4,397,907
2021	4,522,271
Thereafter	35,270,299
	$ 57,840,942

During fiscal year 2016, Pew had agreements with sub-tenants for office space in Washington, D.C., and in Portland, Oregon. Total sublease income for the years ended June 30, 2016 and 2015 was $1,218,685 and $1,989,298, respectively. The sublease provides for future minimum annual payments to be received under the agreements as follows:

Year ending June 30,	
2017	$ 36,322
2018	12,410
	$ 48,732

Pew has entered into agreements to lease a portion of the office space at 901 E Street in Washington, D.C. Rental income for the years ended June 30, 2016 and 2015 was $1,615,540 and $1,995,723, respectively. As of June 30, 2016, the leases provide for future minimum annual income to be received as follows:

Year ending June 30,	
2017	$ 931,200
2018	446,595
2019	441,495
2020	448,904
2021	187,043
	$ 2,455,237

(Continued)

NOTE L - COMMITMENTS AND CONTINGENCIES - Continued

Guarantees

Pew is guarantor of a lease agreement for office space occupied by a Pew grantee. The lease term is through February 28, 2026. Cumulative remaining lease payments at June 30, 2016 total approximately $2,404,900.

NOTE M - SUBSEQUENT EVENTS

The Organization evaluated its June 30, 2016 consolidated financial statements for subsequent events through November 18, 2016, the date the consolidated financial statements were available to be issued. Based on the Organization's evaluation, no subsequent events meet the criteria under U.S. GAAP for disclosure.