

The Atlantic Philanthropies

Combined Financial Statements

December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)



December 4, 2017

Report of Independent Auditors

**To the Trustees and Board of Directors of
The Atlantic Philanthropies**

We have audited the accompanying combined financial statements of The Atlantic Philanthropies (the "Group"), which comprise the combined statements of financial position as of December 31, 2016 and 2015, and the related combined statements of activities and changes in net assets and of cash flows for the years then ended.

Management's responsibility for the combined financial statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the combined 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 Group'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of The Atlantic Philanthropies as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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The Atlantic Philanthropies
 Combined Statements of Financial Position
 As of December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

	2016	2015
	\$	\$
Assets		
Investments, at fair value		
Marketable securities (notes 3 and 5)	118,624	105,177
Alternative investments (notes 4 and 5)	-	990,895
Derivative contracts, gross (notes 5 and 6)	-	3,191
	<u>118,624</u>	<u>1,099,263</u>
Cash and cash equivalents (notes 5 and 7)	439,321	245,483
Other current assets (note 9)	299,767	72,613
Property and equipment (note 10)	10,373	11,783
Other assets (note 11)	<u>5,310</u>	<u>2,992</u>
Total assets	<u>873,395</u>	<u>1,432,134</u>
Liabilities		
Donations payable (note 12)	549,471	562,460
Derivative contracts, gross (notes 5 and 6)	-	8,155
Other current liabilities (note 13)	4,219	10,875
Other liabilities (note 15)	21,022	23,207
Debt obligation (note 14)	<u>-</u>	<u>-</u>
Total liabilities	<u>574,712</u>	<u>604,697</u>
Non-controlling interest	<u>1,495</u>	<u>1,547</u>
Net assets (unrestricted)	<u>297,188</u>	<u>825,890</u>
Total liabilities and net assets	<u>873,395</u>	<u>1,432,134</u>

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

The Atlantic Philanthropies

Combined Statements of Activities and Changes in Net Assets For the years ended December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

	2016 \$	2015 \$
Investment transactions		
Net investment income	1,423	284
Net realized (loss) gains (note 16)	(136,303)	273,813
Net change in unrealized gains and losses (note 16)	110,630	(254,543)
Net foreign exchange translation (losses) gains	(525)	1,470
Investment management fees and other direct expenses	(358)	(1,618)
	<u>(25,133)</u>	<u>19,406</u>
(Loss)/gain from investment transactions		
Operating businesses		
Rental and other income	246	451
Selling and administrative expenses	(1,652)	(14,088)
	<u>(1,406)</u>	<u>(13,637)</u>
Gain (loss) from operating businesses		
Donations and charitable expenses		
Donations expense (note 12)	(474,370)	(400,722)
Administrative expenses	(31,819)	(29,673)
	<u>(506,189)</u>	<u>(430,395)</u>
Total donations and charitable expenses		
Decrease in net assets from continuing operations before taxes	(532,728)	(424,626)
Tax benefit (note 17)	5,099	8,145
Decrease in net assets from continuing operations	(527,629)	(416,481)
Loss from discontinued operations (note 18)	(260)	(27,955)
Foreign currency translation loss, net	(770)	(392)
Decrease in net assets before non-controlling interest	(528,659)	(444,828)
Non-controlling interest	(43)	(50)
Decrease in net assets	(528,702)	(444,878)
Net assets (unrestricted) - Beginning of year	825,890	1,270,768
Net assets (unrestricted) - End of year	<u>297,188</u>	<u>825,890</u>

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

The Atlantic Philanthropies

Combined Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

	2016 \$	2015 \$
Cash flows from operating activities		
Decrease in net assets	(528,702)	(444,878)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities		
Net realized loss (gains)	136,303	(273,813)
Net change in unrealized gains or losses	(110,630)	254,543
Equity earning reclassified to discontinued operation	-	(15,065)
Loss on disposal of discontinued operations	-	43,020
Depreciation expense	1,636	1,656
Amortization expense	29	-
Distribution from investees from discontinued operations	-	1,823
Other income	(4)	(457)
	(501,368)	(433,171)
Change in operating assets and liabilities		
(Increase) decrease in other current assets	(25,195)	(60,056)
(Increase) decrease in other assets	(2,618)	4,570
(Decrease) increase in donations payable	(12,989)	26,718
Decrease in current liabilities	(6,656)	(2,977)
Decrease increase in other liabilities	(2,185)	(10,413)
	(49,643)	(42,158)
Net cash used in operating activities	(551,011)	(475,329)
Cash flows from investing activities		
Proceeds from marketable securities	115,165	28,177
Purchase of marketable securities	(129,463)	(124,393)
Proceeds from alternative investments, net	989,990	601,786
Purchase of derivative contracts, net	(28,910)	(21,638)
Purchase of property and equipment, net	(222)	(248)
Loss on sale of property and equipment	-	(17)
Proceeds from other assets	2,700	-
Expenditure for other assets	(2,400)	(950)
Decrease of collateral	-	5
Increase in receivables for securities sold	(201,959)	-
Decrease of marketable security sold short	-	(5)
(Donations) dividends paid to minority interest	(52)	1,085
Net cash provided by investing activities	744,849	483,802

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

The Atlantic Philanthropies

Combined Statements of Cash Flows (Continued)
For the years ended December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

Cash flows from financing activities

Net change in bank borrowing	-	(5,800)
Net cash provided by financing activities	-	(5,800)
Increase in cash and cash equivalents	193,838	2,673
Cash and cash equivalents - Beginning of year	245,483	242,810
Cash and cash equivalents - End of year	439,321	245,483
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Income and other taxes, net	24	95

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

The Atlantic Philanthropies

Notes to Combined Financial Statements

December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

1. **Combined entities**

These combined financial statements include The Atlantic Foundation (“The Foundation”), The Atlantic Finance Company Limited (“AFC”), The Atlantic Advocacy Fund (“AAF”), The Atlantic Charitable Trust (“ACT”), The Mangrove Foundation (“Mangrove”), and Bridge Charitable Trust (“Bridge”). These combined financial statements have been prepared to provide an overview of the activities of the six entities, collectively referred to as “The Atlantic Philanthropies” or “Atlantic.”

The combined entities have interrelated managements and a common charitable mission: investing in promising programs, people, and places to create opportunity and promote greater fairness and equity.

Atlantic, which plans to close in 2020, completed its grantmaking at the end of 2016. In line with this decision, it was decided to shift substantially all investment holdings to cash, short-term investments and government securities and the Board of Directors of General Atlantic Group Limited, the holding company for Atlantic’s businesses (“GAGL”), requested its management to develop a strategic plan and prepare to exit from all operating businesses, subject to the achievement of the best available and reasonably achievable commercial terms (note 18). The exit from these businesses and from Atlantic’s private equity and hedge fund investments was completed by the end of 2016.

2. **Significant accounting policies**

(a) **Basis of accounting presentation**

These combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

These combined financial statements include the consolidated financial statements of The Foundation, Bridge and AFC and the financial statements of AAF, ACT and Mangrove. GAGL’s financial statements are prepared for January 31, 2016 and 2015. The results of this entity have been adjusted for inclusion in the financial statements to reflect significant items of income and expenditure during the months of January 2016 and 2015.

(b) **Net assets**

There were no temporarily or permanently restricted net assets for charitable purposes as of December 31, 2016 and 2015.

(c) **Fair values of financial instruments**

Fair values of financial assets and liabilities are disclosed in the notes to combined financial statements where they differ significantly from carrying values. Accounts receivable, accounts payable and accrued liabilities approximate their fair values as these instruments are subject to normal credit terms. The maximum credit risk associated with accounts receivable is limited to the carrying amount.

Management has adopted a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 fair value hierarchy under ASC 820 are as follows:

Level 1	Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that Atlantic has the ability to access at the measurement date;
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;
Level 3	Inputs that are unobservable.

The Atlantic Philanthropies

Notes to Combined Financial Statements

December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

Management uses the "market approach" valuation technique to value its alternative investments. On December 31, 2015 the management's valuation of alternative investments was based upon unobservable data. As such, the alternative investments have been classified as level 3. During 2016, the underlying investments were redeemed or transferred for Fair Market Value ("FMV"). AFC's holdings at December 31, 2016 were cash and receivables and as such its investments have been moved to level 1. The determination of what constitutes "observable" requires significant judgment by management.

(d) **Marketable securities and marketable securities sold short**

Marketable securities and marketable securities sold short are carried at fair value. Quoted securities are stated at market value, which is based on quoted prices on a recognized stock exchange on the last day of trading of the fiscal year. Other marketable securities, for which the primary market is "over-the-counter" are valued by management based upon information provided by investment advisors. Investment advisors determine the fair value using the most recent available "bid" quotations provided by one or more principal market makers for the security.

Investment transactions are recorded on the trade date and investment income is recognized on the accrual basis when receivable. Discounts and premiums on debt securities are accreted and amortized over the term of the securities. Gains and losses associated with the revaluation of marketable securities are recorded in the combined statements of activities and changes in net assets as unrealized gains and losses. Realized gains and losses are calculated on a first-in-first-out basis.

(e) **Alternative investments**

Atlantic accounts for its alternative investments at estimated fair value, which is principally derived from the net asset values provided by third party administrators, fiduciary agents or in certain cases, investment managers and prime brokers, acting for each respective underlying investment fund.

The management agreements of the underlying funds provide for compensation to the respective managers in the form of fees determined as a percentage of net assets and in many cases, performance incentive fees based on net profits earned, subject to other limiting factors such as high water marks. The fees are deducted from the assets of the underlying funds and are reflected in the net asset values reported to management.

Gains and losses associated with the revaluation of investment funds are recorded in the combined statements of activities and changes in net assets as unrealized gains and losses. Redemption proceeds from investment funds in excess or below cost are recorded in the combined statements of activities and changes in net assets as realized gains and losses, respectively.

(f) **Forward currency contracts**

Forward currency contracts are agreements to purchase or sell commodities or financial instruments at a specified future date. These instruments are recorded on the trade date and are carried at fair value. Notional values indicate the overall market exposure of the derivative contracts and are used by management to assess risk.

As forward contracts are not traded on an exchange, the agreements between counterparties are not standardized. There is generally no requirement to provide collateral, and changes in the value of forward contracts are settled only on termination of the contract rather than on a daily basis. Open forward contracts are revalued to fair value in the combined statements of financial position, based on the difference between the contract rate and the applicable forward rate to close out the contract. Gains and losses associated with the revaluation of open forward contracts are recorded in the combined statements of activities and changes in net assets as unrealized gains or losses. Upon contract expiration, or when an offsetting contract is entered into, the cumulative change in value is recognized as a realized gain or loss.

The Atlantic Philanthropies

Notes to Combined Financial Statements

December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

(g) **Cash and cash equivalents**

Cash and cash equivalents include marketable securities, repurchase agreements receivable and highly liquid debt instruments which have original maturities of ninety days or less. Such instruments are valued at cost which, when combined with accrued interest, approximates market and fair value.

(h) **Repurchase agreements receivable**

A repurchase agreement involves acquiring securities for cash and obtaining a simultaneous commitment from the seller to repurchase the securities at an agreed upon price and date. Atlantic takes possession of the securities collateralizing the repurchase agreement. The collateral is marked to market daily to ensure that the market value of the underlying assets remains sufficient to protect Atlantic in the event of default by the seller. Atlantic records the repurchase agreements receivable in cash and cash equivalents in the combined statements of financial position.

(i) **Property and equipment**

Property and equipment is stated at the lower of the estimated fair value or historical cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives or lease terms of the assets which range from 3 to 40 years.

The costs of maintenance, repairs and minor renewals are charged to expense; the costs of major improvements are capitalized. When assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts and any gain or loss on retirement is reflected in income for the current period.

Management considers all of the property and equipment to be held for long-term use. Long-lived assets and identifiable intangibles consist of property and equipment, lease premiums and related goodwill. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In performing the review for recoverability, if the sum of the expected future undiscounted cash flows generated by the asset is less than the carrying amount of the asset, an impairment loss is recognized. The impairment loss, if any, is calculated by comparing the asset carrying value to the respective fair value. Fair value is estimated using third party appraisal, market comparison, discounted cash flow or direct capitalisation analysis. The evaluation of fair value and future cash flows from individual properties requires significant judgement; it is reasonably possible that a change in estimate could occur.

(j) **Donations**

Unconditional donations are expensed in the period in which the commitment is made. Conditional donations are expensed in the period in which the conditions under which they are granted are substantially met. Conditional donations whose conditions have not been met are disclosed in note 12.

Unconditional donations payable over a period greater than one year are discounted using the current risk-free rate of return for investments of a similar duration. The discount rate used for unconditional donations made during the year ended December 31, 2016 was 0.78% (2015 - 0.57%). The discount is amortized and included as part of donations expense over the term of the obligation. Management has included supplemental disclosure in note 12 to demonstrate the effect of including conditional donations payable as a liability on Atlantic's net assets. For the purpose of supplemental disclosure, conditional donations have not been discounted as the payment terms can change frequently in relation to the conditions being met.

(k) **Operating business revenue recognition**

The Foundation recognizes revenues when rental spaces are occupied for real estate rental operations, and when full accrual method criteria are met for real estate sales operations.

(l) **Discontinued operations**

In general, sales and disposals of business segments are classified as discontinued operations. Therefore, as required, income or loss attributed to operations and sale of business segments sold, held for sale, or

The Atlantic Philanthropies

Notes to Combined Financial Statements

December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

otherwise discontinued are presented in the combined statements of activities and changes in net assets as discontinued operations (note 18).

As discussed in note 1, at the end of 2016 The Foundation had exited from all its business operations.

(m) **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at year end exchange rates. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses are translated at average rates for the year. Gains and losses arising on the translation of foreign currency denominated investments are recorded as a component of realized and unrealized gains and losses. Gains and losses arising on the translation of donations denominated in foreign currencies are included as a component of donations expense (note 12). Gains and losses arising from translation of other assets and liabilities denominated in foreign currencies are recorded in the combined statements of activities and changes in net assets. Other exchange gains and losses that arise from exchange rate changes on transactions denominated in a currency other than the local currency are reflected in income as incurred.

(n) **Income taxes**

The Atlantic Philanthropies accounts for income taxes using the asset and liability method. This method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of the assets and liabilities.

The Atlantic Philanthropies records deferred tax assets to the extent management believes these assets will more-likely-than-not be realized. In making such determinations, management considers all available positive and negative evidence, including future reversals of existing temporary differences, projected future taxable income, tax planning strategies, and recent financial operations. In the event management were to determine that it would be able to realize deferred income tax assets in the future in excess of their net recorded amount, an adjustment to the valuation allowance would be made which would reduce the provision for income taxes (note 17).

The authoritative guidance on accounting for and disclosure of uncertainty in tax positions ASC 740 – Income Taxes clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. If management considers that a tax position is "more-likely-than-not" of being sustained upon audit, based solely on the technical merits of the position, it recognizes the tax benefit. The Atlantic Philanthropies measures the tax benefit by determining the largest amount that is greater than 50% likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. These assessments can be complex and require significant judgment. To the extent that estimates change or the final tax outcome of these matters is different than the amounts recorded, such differences will impact the income tax provision in the period in which such determinations are made. If the initial assessment fails to result in the recognition of a tax benefit, management regularly monitors its position and subsequently recognizes the tax benefit if (i) there are changes in tax law or analogous case law that sufficiently raise the likelihood of prevailing on the technical merits of the position to more-likely-than-not, (ii) the statute of limitations expires, or (iii) there is a completion of an audit resulting in a settlement of that tax year with the appropriate agency. Uncertain tax positions are classified as current only when management expects to pay cash within the next twelve months. Interest and penalties, if any, are recorded within the provision for income taxes in The Atlantic Philanthropies' combined statements of activities and changes in net assets and are classified on the combined statements of financial position with the related liability for unrecognized tax benefits.

The Atlantic Philanthropies files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, The Atlantic Philanthropies is subject to examination by federal, state, local and foreign jurisdictions, where applicable. As of December 31, 2016, the tax years

The Atlantic Philanthropies

Notes to Combined Financial Statements

December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

that remain subject to examination by the major tax jurisdictions under the statute of limitations is from the year 2013 forward (with limited exceptions).

<u>Jurisdiction</u>	<u>Earliest Tax Year Subject to Examination</u>
U.S. Federal	2013
California	2013
New York State and City	2013

As of December 31, 2016, there were no positions for which management believes it is reasonably possible that the total amounts of tax contingencies will significantly increase or decrease within the next twelve months of the reporting date.

(o) **Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

3. *Marketable securities and marketable securities sold short*

	2016			2015			
	Amortised cost/cost	Unrealized gain	Unrealized loss	Fair value	Cost	Unrealized gain	Fair value
	\$	\$	\$	\$	\$	\$	\$
Fixed income							
Debt security	118,776	30	(182)	118,624	105,149	28	105,177
	118,776	30	(182)	118,624	105,149	28	105,177

The contractual maturities of fixed income, excluding short-term investments, at fair value are as follows:

	2016	2015
	\$	\$
Due in one year or less	101,438	104,193
Due in one to three years	17,186	984
	118,624	105,177

4. *Alternative investments*

Investment funds are categorized by strategy as determined by management. These categories are used internally by management as a breakdown of asset classes in order to evaluate sources of potential risk and return. Management's classification of individual investments within these strategies is based on variable and subjective considerations. Similarities in the terminology used by management and that are used elsewhere in the investment industry do not imply any set definitions for such terminology.

During 2016 Atlantic redeemed, or transferred for FMV, all of its holdings in Alternative Investments.

The Atlantic Philanthropies
Notes to Combined Financial Statements
December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

	2016			2015		
	Cost \$	Unrealized gains (losses) \$	Fair value \$	Cost \$	Unrealized gains (losses) \$	Fair value \$
Hedge Funds						
Stock specific						
Directional	-	-	-	216,813	167,768	384,581
Sector specialists	-	-	-	-	-	-
	-	-	-	216,813	167,768	384,581
Credit related	-	-	-	111,670	73,393	185,063
Event driven	-	-	-	34,813	31,477	66,290
Macro	-	-	-	128,615	47,699	176,314
Other	-	-	-	-	149	149
Total hedge funds	-	-	-	491,911	320,486	812,397
Private equity						
Information technology	-	-	-	440,682	(347,185)	93,497
Private equity - other	-	-	-	164,148	(79,147)	85,001
Total private equity	-	-	-	604,830	(426,332)	178,498
Total alternative investments	-	-	-	1,096,741	(105,846)	990,895

5. Fair value measurement

The following table details financial assets and liabilities that were accounted for at fair value as of December 31, 2016 and 2015 by level and fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Assets at fair value as of December 31, 2016			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Cash and cash equivalents	302,248	137,073	-	439,321
Marketable securities	118,624	-	-	118,624
Annuity	-	-	3,149	3,149
	420,872	137,073	3,149	561,094
	Liabilities at fair value as of December 31, 2016			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Deferred compensation	-	-	20,961	20,961

The Atlantic Philanthropies
Notes to Combined Financial Statements
December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

	Assets at fair value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalents	58,584	186,899	-	245,483
Marketable securities	105,177	-	-	105,177
Alternative investments	-	-	990,895	990,895
Derivative contracts	-	3,191	-	3,191
Annuity	-	-	4,091	4,091
	163,761	190,090	994,986	1,348,837

	Liabilities at fair value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Derivative contracts	-	8,155	-	8,155
Deferred compensation	-	-	22,019	22,019
	-	8,155	22,019	30,174

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Annuity	Alternative investments	Deferred compensation	Total
	\$	\$	\$	\$
Balance, December 31, 2014	4,985	1,557,534	(25,843)	1,536,676
Acquisitions	-	-	-	-
Sales	-	(601,786)	-	(601,786)
Income (expense)	(894)	-	3,824	2,930
Gains (losses)				
Realized	-	295,328	-	295,328
Change in unrealized	-	(260,181)	-	(260,181)
Balance, December 31, 2015	4,091	990,895	(22,019)	972,967
Acquisitions	-	-	-	-
Sales	-	(989,990)	-	(989,990)
Income (expense)	(942)	-	1,058	116
Gains (losses)				
Realized	-	(106,751)	-	(106,751)
Change in unrealized	-	105,846	-	105,846
Balance, December 31, 2016	3,149	-	(20,961)	(17,812)

The Atlantic Philanthropies

Notes to Combined Financial Statements

December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

Management uses the "income approach" valuation technique to value the annuity and deferred compensation in the table above. Income and expenses in the table above are reflected in selling and administrative expenses for operating business, and administrative expenses for charitable expenses. All net realized and unrealized gains (losses) in the table above are reflected in the accompanying combined statements of activities and change in net assets. Net change in unrealized loss of nil (2015: net change in unrealized loss of \$244,127) relate to those financial instruments held at December 31, 2016 and 2015.

6. *Derivative contracts*

Forward currency contracts manage exposure to foreign currency gains and losses arising from investments in financial instruments and obligations denominated in foreign currencies. The Atlantic Philanthropies engages in forward contracts to mitigate exposure to foreign currency obligations. The contracts are presented on gross basis and executed on a net basis. There were no open forward contracts at December 31, 2016.

The Atlantic Philanthropies is subject to master netting agreements with respect to each counterparty with which The Atlantic Philanthropies holds derivative investments. In accordance, with ASU 2013-01 management has disclosed the gross effect of these investments on the face of the financial statements.

Atlantic did not have any forward currency contracts outstanding at year end. Its positions as of December 31, 2015 were as follows:

		Fair value of derivative instruments	
		Notional amount	Fair value
		\$	\$
2015			
Assets:			
AUD/USD		(3,822)	307
EUR/USD		19,735	484
GBP/USD		70,334	2,050
ZAR/USD		3,102	350
Total unrealized gains on forward currency contracts		89,349	3,191
Liabilities:			
AUD/USD		6,095	(197)
EUR/USD		(107,397)	(3,000)
GBP/USD		(96,957)	(3,909)
ZAR/USD		(8,157)	(1,049)
Total unrealized losses on forward currency contracts		(206,416)	(8,155)
Amount of gain or (loss) recognised in income on derivative instruments			
Derivatives	Location of gain or (loss) recognized in income on derivative instruments	2016	2015
		\$	\$
Forward currency contracts	Net realized losses	(28,910)	(21,638)
	Net change in unrealized gains	4,964	5,638
Total		(23,946)	(16,000)

The Atlantic Philanthropies

Notes to Combined Financial Statements

December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

7. *Cash and cash equivalents*

Cash and cash equivalents comprise the following:

	2016 \$	2015 \$
Repurchase agreements receivable	137,073	183,571
Cash at bank	295,652	58,004
Restricted cash	6,596	580
Certificates of deposit	-	3,328
	439,321	245,483

8. *Financial instrument risks*

Atlantic's investment activities, either directly or indirectly, expose it to various types and degrees of risk including market, credit, liquidity and regulatory risk.

Market risk

Market risk is the risk that future changes in market prices may render financial instruments less valuable or increase the liability associated with such instruments. Exposure to market risk is determined by a number of factors, including the size, duration, composition and diversification of positions held, the absolute and relative levels of interest rates and foreign exchange rates, as well as market volatility and liquidity. Management seeks to diversify the investment portfolio so as to manage exposure to market risk.

Exposure to market risk associated with marketable securities, investment funds and private equity investments is equal to the carrying value of the instruments as recorded in the combined statements of financial position.

A component of market risk is currency risk, which arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of financial instruments and/or obligations of Atlantic denominated in currencies other than U.S. dollars. The foreign currency exposure related to financial instruments in management's opinion is either a) a desirable component of the portfolio or b) not sufficient to require hedging.

Credit risk

Credit risk represents the maximum accounting loss that would be recognized if counterparties failed completely to perform as contracted, reduced by the value of any collateral and any other available assets. Management, by policy, ensures that agreements are entered into with counterparties that have high quality credit ratings and, in addition, monitors its credit exposure to any one financial institution. At December 31, 2016 and 2015 the majority of the cash and cash equivalents and marketable securities were held with Bank of New York Mellon.

Exposure to credit risk associated with cash and cash equivalents, marketable securities, derivative contracts collateral and other receivables is represented by the carrying value of these financial instruments recorded in the combined statements of financial position.

A concentration of credit risk exists when there are significant contracts with individual counterparties or when groups of issuers or counterparties have similar business characteristics that would cause their ability to meet contractual commitments to be adversely affected, in a similar manner, by changes in the economy or other market conditions. Atlantic conducts business with financial institutions believed to be well established and monitors credit risk on both an individual and group counterparty basis.

The Atlantic Philanthropies

Notes to Combined Financial Statements

December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

Liquidity risk

Liquidity risk represents the potential loss due to the difficulty in liquidating thinly traded holdings quickly. Because of the nature of certain investments held by Atlantic, there can be no assurance that an active trading market for the underlying will exist, or that the prices at which underlying investments trade accurately reflect their values, and that these values can be realized.

Regulatory risk

Legal, tax and regulatory changes could occur during the term of Atlantic that may adversely affect Atlantic. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies.

9. Other current assets

	2016 \$	2015 \$
Receivables for securities sold	266,643	64,684
Deferred tax asset (note 17)	-	19
Income tax receivable	1,003	1,039
Loan receivable	-	2,700
Accounts receivable from third party	30,898	-
Other	943	3,050
Annuity current portion	280	1,121
	299,767	72,613

10. Property and equipment

	Estimated useful lives (years)	2016 \$	2015 \$
Land		1,552	1,552
Buildings and improvements	20-40	9,868	9,855
Leasehold improvements	10-20	8,686	10,344
Furniture, fixtures and equipment	3-10	2,173	3,791
		22,279	25,542
Less: Accumulated depreciation		(11,906)	(13,759)
		10,373	11,783

Depreciation expense for the year ended December 31, 2016 was \$1,636 (2015 - \$1,656).

The Atlantic Philanthropies
Notes to Combined Financial Statements
December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

11. Other assets

	2016	2015
	\$	\$
Annuity, non-current portion	2,869	2,970
Other	2,441	22
	5,310	2,992

12. Charitable giving

Unconditional donations reported as donations payable on the combined statements of financial position amounted to \$549,471 at December 31, 2016 (2015 - \$562,460). Unfulfilled conditional donations at December 31, 2016 amounted to \$33,171 (2015 - \$108,287) which included nil (2015 - \$500) from GAGL. If the conditions under which these donations were granted are complied with, these donations will become payable and have the following effect on Atlantic's net assets:

	2016	2015
	\$	\$
Net assets adjusted for conditional donations		
Net assets (unrestricted)	297,188	825,890
Conditional donations	(33,171)	(108,287)
	264,017	717,603

The total amounts payable for both unconditional and conditional donations are as follows:

	2016			2015		
	Donations payable	Conditional donations	Total	Donations payable	Conditional donations	Total
	\$	\$	\$	\$	\$	\$
Due within one year	111,518	23,538	135,056	209,629	69,093	278,722
Due within one to two years	104,133	5,772	109,905	121,917	24,194	146,111
Due within two to three years	161,581	811	162,392	115,838	8,900	124,738
Due within three to four years	179,676	3,050	182,726	119,090	6,100	125,190
	556,908	33,171	590,079	566,474	108,287	674,761
Less: Unamortized discount	(7,437)	-	(7,437)	(4,014)	-	(4,014)
	549,471	33,171	582,642	562,460	108,287	670,747

Donations expense in the combined statements of activities and changes in net assets for the year ended December 31, 2016 of \$474,370 (2015 - \$400,722) includes donations made by GAGL of \$21,585 (2015 - \$40,980). Exchange gain for the year ended December 31, 2016 in the net aggregate amount of \$16,769, (2015 - gain of \$20,178) arising on the translation of donations denominated in foreign currencies are included in donations expense along with the increase in unamortized discount of \$3,423 (2015 - increase in unamortized discount of \$2,658) on unconditional donations payable.

In 2015, one of the Foundation's subsidiaries donated part of its ownership in Bayside Village Associates to the University of California, San Francisco. As a result of this transaction, a bonus of \$10.4M was paid to a member, in recognition of that member's contribution to the development of Bayside Village Associates.

The Atlantic Philanthropies
Notes to Combined Financial Statements
December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

	2016	2015
	Total	Total
	\$	\$
Total donations and conditional donations payable at January 1	674,761	708,642
Donations committed during the year	428,938	411,894
Donations paid during the year	(483,993)	(371,885)
Foreign exchange translation (gains) losses	(16,769)	(22,352)
Amendments	(12,858)	(51,538)
	590,079	674,761
Less: Unamortized discount	(7,437)	(4,014)
Total donations and conditional donations payable December 31	582,642	670,747

13. Other current liabilities

	2016	2015
	\$	\$
Deferred compensation	2,648	1,882
Accounts payable and accrued liabilities	1,571	3,724
Deferred taxes	-	5,269
	4,219	10,875

14. Debt obligations

Atlantic has established a letter of credit ("LOC") in the amount of \$580 for the purpose of collateralizing the leases for the Atlantic's office in New York City. The facility rolls over annually unless cancelled through the term of the underlying lease. No drawings were made during the year end of 2016 and 2015.

15. Other liabilities

	2016	2015
	\$	\$
Deferred compensation	18,313	20,137
Other	2,709	3,070
	21,022	23,207

The Atlantic Philanthropies
Notes to Combined Financial Statements
December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

16. Net realized gains (losses) and change in unrealized gains (losses)

Investment gains and losses are categorized by the corresponding asset classes.

	2016		2015	
	Realized gains (losses)	Net change in unrealized gains (losses)	Realized gains (losses)	Net change in unrealized gains (losses)
	\$	\$	\$	\$
Fixed income	(642)	(180)	(677)	-
Alternative investments	(106,751)	105,846	295,328	(260,181)
Forward currency contracts	(28,910)	4,964	(21,638)	5,638
Investment in associated companies	-	-	800	-
	(136,303)	110,630	273,813	(254,543)

17. Income taxes

The six entities comprising The Atlantic Philanthropies are not subject to tax in Bermuda. However, certain subsidiaries operate in countries that impose income tax, which is provided for at the relevant countries' rates and tax is withheld at appropriate rates on dividend income from sources outside Bermuda.

	2016	2015
	\$	\$
Income tax benefit		
U.S. Federal (provision) benefit	(66)	(449)
Other provision	(104)	1,427
Current tax (provision) benefit	(170)	978
Deferred tax (provision) benefit	5,269	7,167
Income tax benefit (expense)	5,099	8,145

The Atlantic Philanthropies has deferred tax assets and deferred tax liabilities consisting primarily of net operating loss carry forwards, charitable contribution carry forwards and the differences between the tax basis and the book basis of investments.

	2016	2015
	\$	\$
Gross deferred tax assets	9,391	38,998
Valuation allowance	(9,391)	(44,248)
Deferred tax assets (liabilities) after valuation allowance	-	(5,250)
Gross deferred tax liabilities	-	-
Net deferred tax liabilities	-	(5,250)

The Atlantic Philanthropies

Notes to Combined Financial Statements

December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

The valuation allowance is provided for certain deferred tax assets based upon management's estimate that tax paying entities will not generate sufficient taxable income in future years to realize the related benefit. Although the future realization of the benefits of the remaining net deferred tax assets is not assured, management believes that it is more likely than not that the net benefits will be realized. Management will continue to review the recoverability of the combined entities' deferred tax assets in future years and will make adjustments to the valuation allowance as needed. The valuation allowance decreased by \$34,857 in 2016 (2015 - increased by \$11,088) primarily due to a corresponding decrease in the gross deferred tax assets.

The net deferred tax liabilities are reported separately on the combined statements of financial position as follows:

	2016	2015
	\$	\$
Other current assets (note 9)	-	19
Other current liabilities (note 13)	-	(5,269)
Other liabilities (note 15)	-	-
Net deferred tax liabilities	-	(5,250)

At December 31, 2016 Atlantic had available, for income tax purposes in various jurisdictions, net operating loss carry forwards of \$102,410 expiring 2018 through 2035 and charitable contribution carrying forwards of \$47,556 expiring 2017 through 2022.

18. Income from discontinued operations

The results of the discontinued operations are separately reported, net of tax (expense) benefit, as discontinued operations. The separately reported results of operations for these discontinued operations were:

	2016	2015
	\$	\$
Revenue	-	15,065
Operating expenses	(260)	(43,020)
Loss before income tax	(260)	(27,955)
Income tax benefit (expense)	-	-
Net loss	(260)	(27,955)

The Atlantic Philanthropies

Notes to Combined Financial Statements

December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

19. Commitments and contingencies

(a) Rental and lease commitments

Certain subsidiaries occupy premises under non-cancellable operating leases expiring through 2021. The lease provides that the lessee pay taxes, insurance and other expenses related to the leased premises.

Rental expense net of license fees is summarized as follows:

	2016 \$	2015 \$
Minimum rentals	1,874	1,945
Net rental expense under operating leases	1,874	1,945

Future minimum rental commitments under operating leases, exclusive of the foregoing contingent rentals, are as follows:

	Operating leases \$
Due within one year	2,802
Due within one to two years	2,830
Due within two to three years	3,020
Due within three to four years	3,176
Due within four to five years	1,048
Net future minimum lease commitments	12,876

20. Employee benefits and other compensation

Some subsidiaries of entities included within The Atlantic Philanthropies maintain defined contribution plans for their employees. These plans comply with the required regulations pertaining to the employees' location of employment. Contributions to the plans range from 10% to 20% of the employee's salary. In some jurisdictions, the subsidiaries cover the employees' portion of medical and or life insurance premium contributions.

Some subsidiaries provide certain key employees who meet specific requirements with deferred compensation. The total deferred compensation for December 31, 2016 was \$20,961 (2015 - \$22,019) of which GAGL represented \$3,149 (2015 - \$4,091).

21. Related parties

During 2011, a subsidiary provided a loan to a Director of The Foundation for \$2,700. The note bore interest at a rate of 2% per annum and was repaid on September 30, 2016.

Commencing in 2015, Atlantic has agreed to provide medical and personal care expenses to one of its members during his lifetime. Given the nature of the support, there is currently no limit on the amount of expenditure that may be incurred, but at this time, management is unable to estimate the expected future costs. During the year ended December 31, 2016, total expenses incurred under this support were \$555 (2015-\$619).

The Atlantic Philanthropies

Notes to Combined Financial Statements

December 31, 2016 and 2015

(expressed in thousands of U.S. dollars)

22. *Subsequent events*

Management has performed an evaluation of subsequent events through December 4, 2017, which is the date the combined financial statements were available to be issued and have concluded that no additional disclosure is required.

23. *Comparative balances*

Certain prior period balances have been reclassified to conform to the current year's presentation.