2014 FINANCIALS

James B. Duke

THE DUKE ENDOWMENT

TABLE OF CONTENTS

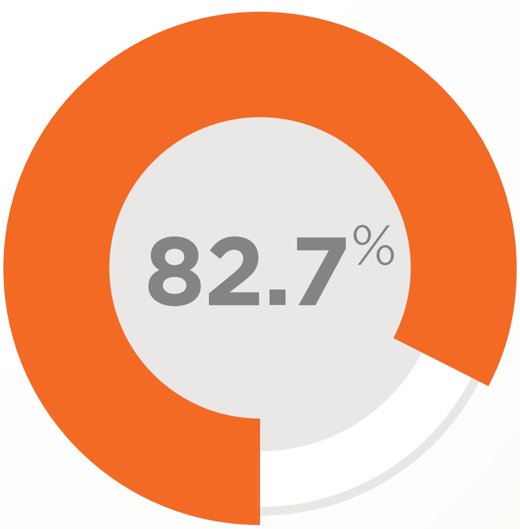
Since James B. Duke's death in 1925, the assets of The Duke Endowment have achieved significant growth, from $107 million to $3.4 billion. During the same time, over $3.3 billion has been distributed in grants.

GROWTH OF ASSETS

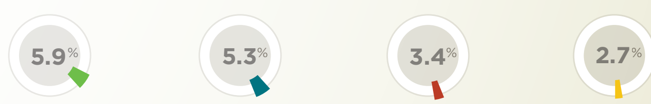
$107 MILLION TO $3.4 BILLION SINCE 1925

GRANTS AND EXPENSES

Almost 83 percent of the Endowment's total spending goes directly to grantmaking. This compares favorably to foundations of similar size. The figures below show our grantmaking in the context of other spending. This grantmaking volume depends on our ability to invest assets wisely.



Grants paid
$140,002,189



Administrative expenses	**Investment expenses**	**Program expenses**	**Provision for taxes**
$10,005,520	$9,054,966	$5,824,681	$4,499,223

Amounts may differ from the 2014 Grants Summary, which reports multiple-year commitments.

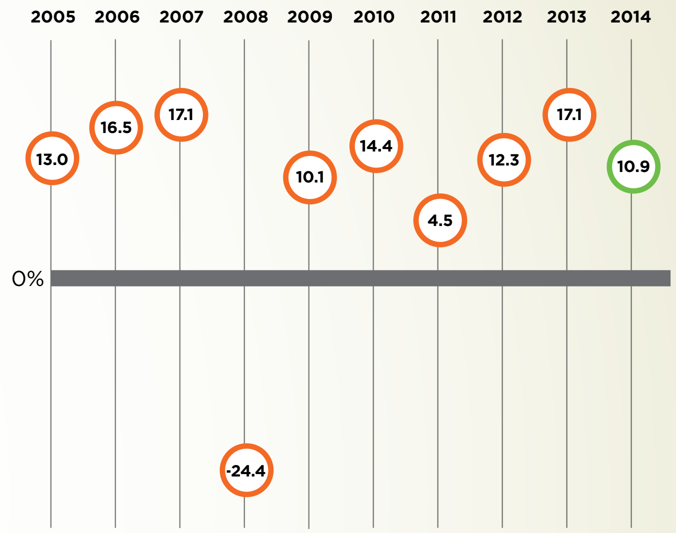
INVESTMENTS

The Duke Endowment's investment portfolio is managed by DUMAC, Inc., a professionally-staffed investment organization governed by Duke University.

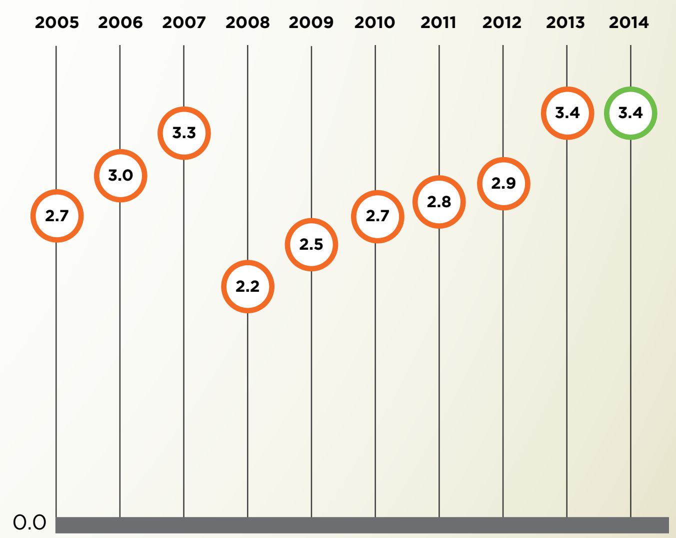
During 2014, the investment return on the Endowment's portfolio was 10.9 percent. Investment performance benefited from increases in global equity, hedged strategies, private capital, real estate, natural resources, fixed income and opportunistic strategies. Impacted by investment returns, grants and expenses, the Endowment's assets increased in value from $3.37 billion to $3.43 billion from December 31, 2013 to December 31, 2014.

For the 10-year period ending December 31, 2014, the Endowment's investment portfolio, net of fees, returned 8.4 percent annualized, outperforming its policy benchmark by 2.9 percent and a 70 percent MSCI All Country World Index/30 percent Barclays Capital Aggregate Bond Index benchmark by 2.4 percent annualized over the same period.

Investment Returns
(percent)



Total Assets
(in $ billions)



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF TRUSTEES OF THE DUKE ENDOWMENT:

We have audited the accompanying financial statements of The Duke Endowment (the "Endowment"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in 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 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 financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Duke Endowment as of December 31, 2014, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

As explained in Notes 2 and 5, the financial statements include certain private equity investments valued at $828,618,577 or 25% of net assets as of December 31, 2014. The fair values of such investments have been estimated by management in the absence of readily determinable fair market values. Management's estimates are based on information provided by the fund managers or the general partners of the private equity investments. Our opinion is not modified with respect to this matter.

Report on 2013 summarized comparative information

We have previously audited the Endowment's 2013 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2014. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Charlotte, North Carolina
May 8, 2015

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 (WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2013)

ASSETS	**2014**	**2013**
Cash and cash equivalents	$ 8,974,930	$ 38,977,844
Securities transactions receivable	66,347,647	69,129,051
Investments, at fair market value (Note 5)	3,308,093,757	3,228,005,042
Land, building, furniture and equipment, net	45,223,758	27,286,957
Other assets	4,515,760	3,729,969
TOTAL ASSETS	**$ 3,433,155,852**	**$ 3,367,128,863**
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	$ 7,764,061	$ 15,142,089
Securities transactions payable	1,430,403	63,997,710
Notes payable	38,011,733	39,024,819
Net deferred excise tax liability	7,740,535	8,017,582
Other liabilities	13,182,045	8,699,709
TOTAL LIABILITIES	**$ 68,128,777**	**$ 134,881,909**
NET ASSETS		
Unrestricted	$ 10,353,443	$ 2,594,121
Temporarily restricted	3,094,992,554	2,969,971,755
Permanently restricted	259,681,078	259,681,078
TOTAL NET ASSETS	**$ 3,365,027,075**	**$ 3,232,246,954**
TOTAL LIABILITIES AND NET ASSETS	**$ 3,433,155,852**	**$ 3,367,128,863**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014 (WITH SUMMARIZED AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013)

REVENUE	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2014	2013
Dividends and interest income	$ 34,765,770	—	—	$ 34,765,770	$ 32,897,692
Other income	2,103	—	—	2,103	2,421
Net realized gains on investment transactions	—	$ 291,446,697	—	291,446,697	229,502,739
(Decrease) increase in net unrealized appreciation on assets	—	(27,427,643)	—	(27,427,643)	268,084,045
TOTAL REVENUE	**$ 34,767,873**	**$ 264,019,054**	**—**	**$ 298,786,927**	**$ 530,486,897**
EXPENSES					
Administrative	$ 10,005,520	—	—	$ 10,005,520	$ 8,687,301
Program (Grantmaking)	5,824,681	—	—	5,824,681	6,105,977
Investment	9,054,966	—	—	9,054,966	7,966,896
Provision for taxes	4,499,223	—	—	4,499,223	4,293,507
Increase (decrease) in pension and postretiment benefit obligation	3,998,255	—	—	3,998,255	(3,525,115)
TOTAL EXPENSES	**$ 33,382,645**	**—**	**—**	**$ 33,382,645**	**$ 23,528,566**
RELEASED FROM RESTRICTIONS (NOTE 3)	**$ 138,998,255**	**$ (138,998,255)**	**—**	**—**	**—**
GRANTS APPROVED					
Education	$ 59,003,878	—	—	$ 59,003,878	$ 52,640,413
Health Care	38,385,646	—	—	38,385,646	32,060,001
Child Care	10,752,896	—	—	10,752,896	10,006,208
Superannuated Preachers	1,965,641	—	—	1,965,641	1,998,684
Building Rural Churches	1,713,250	—	—	1,713,250	1,414,800
Operating Rural Churches	10,233,867	—	—	10,233,867	8,516,516
Administrative Grants	2,328,900	—	—	2,328,900	492,500
Special Opportunities	8,240,083	—	—	8,240,083	21,115,558
TOTAL GRANTS APPROVED	**$ 132,624,161**	**—**	**—**	**$ 132,624,161**	**$ 128,244,680**
CHANGE IN NET ASSETS	**$ 7,759,322**	**$ 125,020,799**	**—**	**$ 132,780,121**	**$ 378,713,651**
NET ASSETS AT BEGINNING OF YEAR	**$ 2,594,121**	**$ 2,969,971,755**	**$ 259,681,078**	**$ 3,232,246,954**	**$ 2,853,533,303**
NET ASSETS AT END OF YEAR	**$ 10,353,443**	**$ 3,094,992,554**	**$ 259,681,078**	**$ 3,365,027,075**	**$ 3,232,246,954**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014 (WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013)

CASH FLOWS FROM OPERATING ACTIVITIES	2014	2013
Change in net assets	$ 132,780,121	$ 378,713,651
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized gains on investment transactions	(291,446,697)	(229,502,739)
Decrease (increase) in net unrealized appreciation on assets	27,427,643	(268,084,045)
Decrease (increase) in securities transactions receivable	2,781,404	(31,256,519)
Increase in other assets	(785,791)	(734,408)
(Decrease) increase in grants payable	(7,378,028)	515,635
(Decrease) increase in securities transactions payable	(62,567,307)	43,104,716
Increase (decrease) in other liabilities	4,482,336	(5,383,994)
NET CASH USED IN OPERATING ACTIVITIES	**$ (194,706,319)**	**$ (112,627,703)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$ 2,350,268,794	$ 2,133,685,497
Disbursements for purchase of investments	(2,166,615,502)	(2,014,480,320)
Disbursements for purchase of land, building, furniture and equipment	(17,936,801)	(22,506,051)
NET CASH PROVIDED BY INVESTING ACTIVITIES	**$ 165,716,491**	**$ 96,699,126**
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	$ (1,013,086)	$ (975,181)
NET CASH USED IN FINANCING ACTIVITIES	**$ (1,013,086)**	**$ (975,181)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**$ (30,002,914)**	**$ (16,903,758)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**38,977,844**	**55,881,602**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 8,974,930**	**$ 38,977,844**
SUPPLEMENTAL CASH FLOW INFORMATION		
CASH PAID DURING THE YEAR FOR TAXES	**$ 4,499,223**	**$ 4,293,507**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 (WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2013 AND SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) ORGANIZATION

The Duke Endowment ("the Endowment") was established by James B. Duke by Indenture and Deed of Trust of Personalty, dated December 11, 1924, for specific charitable, educational and religious purposes. The Endowment is to have perpetual existence. Subsequently, additional amounts were contributed to the Endowment under Items VIII, X, and XI of the Will of James B. Duke and by gifts from members of Mr. Duke's family. Additional amounts were also received from The Doris Duke Trust. The Endowment has been classified as a private foundation and, accordingly, is subject to federal excise taxes imposed on net investment income, including realized capital gains. The Endowment is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

(B) DUMAC

On July 1, 2007 the Trustees of the Endowment entered into a formal agreement with Duke Management Company, an organization providing investment management services for the Duke University endowment assets, whereby Duke Management Company would perform investment management services on behalf of the Endowment. In connection with this agreement, Duke Management Company was reorganized into a new legal entity, DUMAC LLC. Pursuant to the terms of the arrangement, the Endowment would hold equity membership in this LLC proportionate to its share of the contributed assets.

On March 1, 2012, the Endowment withdrew its share of equity membership from DUMAC LLC, and entered into a formal agreement with DUMAC, Inc. ("DUMAC") whereby DUMAC would continue to provide investment management services to the Endowment on a not-for-profit, cost sharing basis.

Pursuant to the terms of the arrangement, DUMAC is compensated by the Endowment for its investment management services at a rate proportionate to the Endowment's share of the total investment assets managed by DUMAC in comparison to the total operating expenses of DUMAC, paid annually. For the years ending 2014 and 2013, the Endowment incurred investment management fees to DUMAC in the amount of $4,030,893 and $3,395,385, respectively. Such fees are included in investment expenses within the accompanying statement of activities.

(C) METHOD OF ACCOUNTING

The Endowment presents its financial statements primarily on an accrual basis in accordance with accounting principles generally accepted in the United States of America. Certain items are maintained on a cash basis, which is not materially different from the accrual basis of accounting.

During the years ended December 31, 2014 and 2013, the Endowment had leased certain office facilities and equipment. Such leases were operating leases and costs were expensed as incurred.

(D) BASIS OF PRESENTATION

The Endowment is required by the Indenture to use the interest and dividends (Endowment Income) earned on investments for purposes defined in the Indenture, subject to the defined authority of the Trustees to withhold Endowment Income. More specifically, the Endowment is required by the Indenture to distribute to Duke University a certain amount of Endowment Income from the Original Corpus, Corpus Item VIII and Corpus Item XI, subject to a limited right to withhold by the trustees of the Endowment. The Indenture provides for additional trustee discretion with respect to the disbursement of Endowment Income to Endowment beneficiaries other than Duke University and also to Duke University out of accounts other than the three Corpus accounts listed above. In accordance with terms of the Indenture, which established the Endowment, realized gains and losses arising from investment transactions are considered part of Corpus. For purposes of presentation within the financial statements, all Corpus accounts are classified as either temporarily or permanently restricted net assets.

(CONTINUED)

North Carolina and New Jersey have both enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). This law provides, in part, additional flexibility by allowing an institution to prudently spend from its endowment fund without regard to the historical value of the Corpus of the fund. In response to UPMIFA, FASB issued Staff Position on Statement No. 117 ("FSP FAS 117–1", codified as ASC 958–205), which provides guidance on classifying net assets associated with donor-restricted endowment funds subject to UPMIFA and improves disclosure requirements. Although not subject to UPMIFA, the Endowment elected to implement the additional requirements outlined in FSP FAS 117–1.

As a result of this implementation, the trustees determined that they would classify as permanently restricted net assets (a) the original value of Original Corpus, Corpus VIII and Corpus XI, plus (b) the original value of subsequent gifts to Corpus, less (c) distributions specified by the donor. The trustees have determined that $259,681,078 be classified as permanently restricted net assets as of December 31, 2014 and 2013.

All realized gains and losses arising from investment transactions will be reflected in the statements of activities as increases or decreases in temporarily restricted net assets until such time that the trustees appropriate funds as described in Note 3 and Note 8.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Endowment and changes therein are classified and reported as follows:

- Unrestricted Net Assets — These amounts are available for appropriation to the beneficiaries of the Endowment or for similar charitable purposes in accordance with terms of the Indenture.
- Temporarily Restricted Net Assets — These principal funds are available for appropriation to the beneficiaries of the Endowment or for similar charitable purposes in accordance with terms of the Indenture or under circumstances described in Note 3.
- Permanently Restricted Net Assets — Net assets subject to donor-imposed stipulations that they be maintained permanently by the Endowment. These funds are to be held in perpetuity and represent (a) the original value of Original Corpus, Corpus VIII and Corpus XI, plus (b) the original value of subsequent gifts to Corpus, less (c) distributions specified by the donor in the Indenture.

Dividends and interest are reported as increases in unrestricted net assets. Realized and unrealized gains and losses are reported as increases or decreases in temporarily restricted net assets in accordance with donor-imposed restrictions. Expenses and grants approved are recorded as decreases in unrestricted net assets.

The financial statements include certain prior-year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Endowment's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

(E) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and certain short-term interest bearing investments held with banks for beneficiary and expense purposes. The Endowment maintains cash on deposit and the balance, at times, may be in excess of federally insured limits.

(F) SECURITIES TRANSACTIONS RECEIVABLE

Securities transactions receivable represents investment transactions that have been sold, but not settled. The Endowment recognizes investment transactions on a trade-date basis. Amounts are recognized in the statements of financial position at fair market value.

(G) INVESTMENTS

The Endowment accounts for investments under Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities,* through which the Endowment has elected to record investments at estimated fair market value with gains and losses included in the statements of activities. Realized gains and losses are recognized when securities are sold based on the first-in, first-out method.

(CONTINUED)

(H) LAND, BUILDING, FURNITURE AND EQUIPMENT
Land, building, furniture and equipment owned by the Endowment are stated at cost at date of acquisition. Useful lives range from 39 years for buildings, 7 years for furniture, and 5 years for technological equipment.

(I) GRANTS PAYABLE
The Endowment records grants payable once the Board of Trustees approves the grant. Once approved, each grantee organization must sign a grant agreement which stipulates guidelines and related requirements. The grantee must meet the terms of the signed grant agreement before funds are distributed.

(J) SECURITIES TRANSACTIONS PAYABLE
Securities transactions payable represents investment transactions that have been purchased, but not settled. The Endowment recognizes investment transactions on a trade-date basis. Amounts are recognized in the statements of financial position at fair market value.

(K) PROVISION FOR TAXES
The Endowment is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and is classified as a private foundation. Accordingly, the Endowment is subject to federal excise taxes imposed on net investment income, including realized gains. The annual federal excise tax, normally 2%, can be reduced to 1% of net investment income provided certain requirements are met. In 2014, management estimates that the Endowment will pay the 1% excise tax rate. In 2013, the Endowment was subject to the 1% excise tax rate.

In addition, the Endowment may be required to pay unrelated business income tax incurred through certain private equity investments. This tax is not material to the financial statements as a whole.

The Endowment records deferred excise taxes using the asset and liability method. Under this method, deferred excise taxes are determined based on temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates expected to be in effect when such amounts are realized or settled.

(L) RISKS AND UNCERTAINTIES
A significant portion of the Endowment's assets are held in a variety of investment forms. Investment securities, and other investments, including alternative investments in general, are exposed to various risks, such as interest rate risk, credit risk, liquidity risk, foreign currency risk and overall market volatility. Additionally, certain of the Endowment's alternative investments contain redemption rights which may be restricted or eliminated by the underlying funds based on the provisions of the fund agreements. Alternative investment transactions are conducted primarily through secondary markets, and accordingly the risk exists that the secondary markets could experience fluctuations in liquidity and/or volume, which could impact the estimated fair value of these alternative investments.

Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities will occur and that such changes could materially affect the amounts reported in the financial statements.

(M) USE OF ESTIMATES
Management of the Endowment has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in preparing these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

Significant items in the Endowment's financial statements subject to such estimates and assumptions include valuations for certain investments without readily determinable fair values, and actuarially determined benefit liabilities related to the Endowment's pension and other postretirement benefit plans.

(CONTINUED)

(2) FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments have been determined by the Endowment as follows:

Cash and cash equivalents, securities transactions receivable, and liabilities are carried at cost which approximates fair value because of the short maturity of these instruments.

Investments are carried at estimated fair value, which is generally based on year-end published quotations, except as discussed below.

Certain Endowment assets that are held in various alternative investments, including limited partnerships that invest in the securities of companies, hedge funds and other investments, may not be immediately liquid and do not have a readily determinable fair value, that is, instruments not listed on national exchanges or over-the-counter markets. The partnerships' general partners, who must follow the valuation guidelines stipulated in their respective limited partnership agreements, determine the fair value of such partnership investments. Given the inherent risks associated with this type of investment, there can be no guarantee that there will not be widely varying gains or losses on these limited partnership investments in future periods. For its alternative investments, the Endowment is eligible and has utilized the practical expedient method to measure fair value under generally accepted accounting principles. In accordance with the practical expedient method, the net asset value reported by the underlying alternative investment is concluded to represent the fair value.

(3) TRANSFERS FROM CORPUS

In December 2009, the Indenture was modified by court order to allow the trustees to expend restricted net assets to the extent necessary in the judgment of the trustees for the Endowment to make available to beneficiaries of the Endowment funds reasonably needed for purposes described in the Indenture, consistent with the fiduciary duty of the trustees to preserve the Endowment in perpetuity. The modifications were not in effect until after the trustees' final meeting of the year and did not affect the financial statements of the Endowment for years ended prior to January 5, 2010.

Under certain circumstances described above, the trustees may be required to transfer restricted net assets to unrestricted net assets to the extent necessary to comply with the provisions set forth in Section 4942 of the Internal Revenue Code. The trustees determined that transfers of principal funds in 2014 and 2013 in the amounts of $138,998,255 and $118,974,885, respectively, were required.

(4) PROVISION FOR TAXES AND DEFERRED EXCISE TAX LIABILITY

During 2014 and 2013, the Endowment recorded a provision for current year estimated excise taxes in the amounts of $4,499,223 and $4,293,507, respectively. This was allocated to the net change in unrestricted net assets. The decrease in deferred excise tax liability was $277,047 and was allocated to unrealized appreciation in temporarily restricted net assets for 2014. The Endowment's net deferred excise tax liability was $7,740,535 and $8,017,582 at December 31, 2014 and 2013, respectively, which primarily relates to unrealized gains on investments.

(CONTINUED)

(5) INVESTMENTS

Investments are composed of the following:

	2014 COST	2014 MARKET
Equities	$ 506,095,039	$ 718,222,919
Fixed income	45,693,210	42,119,106
Private investments	552,527,088	828,618,577
Real assets	401,006,364	475,019,270
Hedged strategies	543,673,461	764,904,340
Short-term investments	450,237,131	450,237,131
Other	34,781,630	28,972,414
	$ 2,534,013,923	**$ 3,308,093,757**

	2013 COST	2013 MARKET
Equities	$ 602,135,636	$ 855,785,002
Fixed income	152,329,930	152,728,966
Private investments	518,650,015	712,268,394
Real assets	420,730,219	562,960,879
Hedged strategies	487,115,643	698,514,051
Short-term investments	236,169,457	236,169,457
Other	9,160,957	9,578,293
	$ 2,426,291,857	**$ 3,228,005,042**

(CONTINUED)

Investment liquidity as of December 31, 2014, is summarized below and listed in the order based on redemption or sale period:

As of December 31, 2014:	**FAIR VALUE**	**UNFUNDED COMMITMENTS**	**REDEMPTION FREQUENCY** (IN DAYS)	**REDEMPTION NOTICE PERIOD** (IN DAYS)
Short-term investments (a)	$ 450,237,131	—	daily	1
Fixed income (b)	42,119,106	—	1 to 30	1 to 30
Equities (c)	718,222,919	—	55% 1 to 30 32% 31 to 90 9% 91 to 365 4% over 365	1 to 90
Hedged strategies (d)	764,904,340	$ 1,200,000	9% 1 to 30 70% 31 to 90 10% 91 to 365 11% over 365	30 to 180
Private investments (e)	828,618,577	232,298,938	N/A	N/A
Real assets (f)	475,019,270	230,260,609	N/A	N/A
Other	28,972,414	—	N/A	N/A
TOTAL INVESTMENTS	**$ 3,308,093,757**	**$ 463,759,547**		

Investment liquidity as of December 31, 2013, is summarized below and listed in the order based on redemption or sale period:

As of December 31, 2013:	**FAIR VALUE**	**UNFUNDED COMMITMENTS**	**REDEMPTION FREQUENCY** (IN DAYS)	**REDEMPTION NOTICE PERIOD** (IN DAYS)
Short-term investments (a)	$ 236,169,457	—	daily	1
Fixed income (b)	152,728,966	—	1 to 30	1 to 30
Equities (c)	855,785,002	$ 81,386	48% 1 to 30 41% 31 to 90 7% 91 to 365 4% over 365	1 to 90
Hedged strategies (d)	698,514,051	1,200,000	11% 1 to 30 62% 31 to 90 14% 91 to 365 13% over 365	30 to 180
Private investments (e)	712,268,394	193,850,000	N/A	N/A
Real assets (f)	562,960,879	242,588,000	N/A	N/A
Other	9,578,293	—	N/A	N/A
TOTAL INVESTMENTS	**$ 3,228,005,042**	**$ 437,719,386**		

(CONTINUED)

(a) Includes short-term U.S. Treasury and other highly liquid debt securities with maturities of less than one year. At December 31, 2014 and 2013, $29,370,261 and $15,216,315, respectively, was posted as collateral and thus not readily available for use.

(b) Includes non-government U.S. and non-U.S. debt securities.

(c) Includes U.S. and non-U.S. stocks and funds that invest predominantly long but also short stocks.

(d) Includes both long and short investments in U.S. and non-U.S. stocks, credit-oriented securities, and arbitrage strategies.

(e) Includes illiquid investments in venture capital, buyouts, and credit. Distributions are received through liquidation of the underlying assets of the funds which are anticipated to occur over the next 4 to 10 years.

(f) Includes illiquid investments in residential and commercial real estate, oil and gas production, energy, other commodities, and related services businesses. Distributions are received through liquidations of the underlying assets of the funds which are anticipated to occur over the next 5 to 12 years.

The Endowment measures fair value at the price expected to be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance prioritizes the assumptions that market participants would use in pricing the asset or liability (the "inputs") into a three-tier fair value hierarchy. This fair value hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs in which little or no market data exists, requiring enterprises to develop their own assumptions. Observable inputs that do not meet the criteria of Level 1, and include quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets and liabilities in markets that are not active, are categorized as Level 2. Level 3 inputs are those that reflect management's estimates about the assumptions market participants would use in pricing the asset or liability, based on the best information available in the circumstances. Alternative investments are typically valued using Level 3 inputs, and such inputs include information provided by the managers of the underlying funds.

At December 31, 2014, $2,075,554,113, or 62.7% of the Endowment's total investments, are valued using Level 3 inputs. At December 31, 2013, $1,989,368,792, or 61.6% of the Endowment's total investments, are valued using Level 3 inputs. These items consisted of alternative investments in private equity funds as well as other alternative investments. The schedule below presents the Endowment's financial assets and financial liabilities that are recorded at fair value on a recurring basis, categorized by the level of inputs utilized in determining the fair value of each. As of December 31, 2014 and 2013, the Endowment had no material financial assets or financial liabilities that were measured at fair value on a non-recurring basis.

(CONTINUED)

As of December 31, 2014:	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ITEMS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Equities	$ 718,222,919	$ 259,294,675	$ 327,512,742	$ 131,415,502
Fixed income	42,119,106	3,710,007	38,409,099	—
Private investments	828,618,577	2,768,395	—	825,850,182
Real assets	475,019,270	(7,881,903)	—	482,901,173
Hedged strategies	764,904,340	724,759	128,792,325	635,387,256
Short-term investments	450,237,131	—	450,237,131	—
Other	28,972,414	(404,304)	29,376,718	—
TOTAL ASSETS MEASURED ON A RECURRING BASIS	**$ 3,308,093,757**	**$ 258,211,629**	**$ 974,328,015**	**$ 2,075,554,113**

As of December 31, 2013:	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ITEMS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Equities	$ 855,785,002	$ 281,063,013	$ 409,020,853	$ 165,701,136
Fixed income	152,728,966	41,807,059	110,921,907	—
Private investments	712,268,394	4,425,597	—	707,842,797
Real assets	562,960,879	1,841,230	—	561,119,649
Hedged strategies	698,514,051	141,605	143,667,236	554,705,210
Short-term investments	236,169,457	—	236,169,457	—
Other	9,578,293	679,201	8,899,092	—
TOTAL ASSETS MEASURED ON A RECURRING BASIS	**$ 3,228,005,042**	**$ 329,957,705**	**$ 908,678,545**	**$ 1,989,368,792**

(CONTINUED)

The Endowment has included a summary of the investment valuation methodologies in Note 2.

For the years ended 2014 and 2013, there have been no significant transfers in or out of Level 1 and Level 2 fair value measurements of the Endowment's investment portfolio, aside from the transfers into/out of Level 3 assets as described below.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Endowment has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category in the table below may include changes in fair value that were attributable to both observable and unobservable inputs.

BALANCE OF LEVEL 3 INVESTMENTS AS OF DECEMBER 31, 2013	**$ 1,989,368,792**
Net realized gains	199,399,635
Increase in net unrealized appreciation	32,222,230
Purchases	459,800,276
Proceeds from sales and maturity of investments	(630,794,340)
Transfers to Level 3 from Level 1 or Level 2 due to liquidity	86,766,604
Transfers from Level 3 to Level 1 or Level 2 due to liquidity	(61,209,084)
BALANCE OF LEVEL 3 INVESTMENTS AS OF DECEMBER 31, 2014	**$ 2,075,554,113**

The following summarizes the relationship between cost and market value of investments:

	2014	**2013**
Gross unrealized gain, net of deferred excise tax	$ 899,519,195	$ 893,213,107
Gross unrealized loss	(133,206,194)	(99,472,463)
EXCESS OF MARKET OVER COST	**$ 766,313,001**	**$ 793,740,644**
(Decrease) Increase in net unrealized appreciation on assets	$ (27,427,643)	$ 268,084,045
Net realized gains from sale of investments	291,446,697	229,502,739
TOTAL NET GAIN	**$ 264,019,054**	**$ 497,586,784**
Investment income	34,767,873	32,900,113
TOTAL RETURN	**$ 298,786,927**	**$ 530,486,897**

The gross unrealized gains or losses include $26,298 losses and $45,041 gains relating to short-term investments at December 31, 2014 and 2013, respectively, which are recorded in cash and cash equivalents on the statements of financial position.

As discussed in Note 4, a provision for deferred excise taxes of $7,740,535 and $8,017,582 was also allocated to gross unrealized gain in 2014 and 2013, respectively.

At December 31, 2014 and 2013, Duke Energy Corporation common stock represented a concentration of approximately 2% of the Endowment's investments.

From time to time the Endowment will participate in a securities lending program. The Endowment loans certain investment securities for short periods of time in exchange for collateral, consisting mainly of cash and U.S. Government securities, equal to at least 102% of the fair value of the investment securities on loan. As of December 31, 2014 and 2013, there were no investment securities on loan.

As part of its investment strategy, the Endowment invests in certain derivative instruments, typically intended to economically hedge certain investment positions from fluctuations in market, rate, currency or other identified risks. Changes in the fair value of derivative instruments are recognized as unrealized gains or losses in the accompanying statements of activities. As of December 31, 2014 and 2013, the fair value of derivative investments totaled approximately $14,889,185 and $8,678,998 with notional amounts of approximately $2,376,369,218 and $3,235,215,000, respectively.

(CONTINUED)

(6) LAND, BUILDING, FURNITURE AND EQUIPMENT

Land, buildings, and equipment, net, are summarized as follows at December 31:

	2014	2013
Land	$ 4,303,101	$ 4,303,101
Building	37,512,086	22,683,856
Furniture	2,200,280	300,000
Technological equipment	1,208,291	—
EXCESS OF MARKET OVER COST	**$ 45,223,758**	**$ 27,286,957**

(7) NOTES PAYABLE

On October 31, 2012, the Endowment (the "Issuer") entered into a $40,000,000 note purchase agreement with Massachusetts Mutual Life Insurance Company, MassMutual Asia Limited, and C.M. Life Insurance Company (collectively the "Purchasers"), whereby the Endowment authorized the issue and sale of $40,000,000 aggregate principal amount of its 3.85% senior notes due October 31, 2037. The Endowment will apply the proceeds of the sale of the notes to complete the construction of its headquarters to be located at 800 East Morehead Street, Charlotte, North Carolina and for other general organizational purposes.

The Endowment is required to make payments of principal, in the amounts specified in the note purchase agreement, on the unpaid balance thereof at the rate of 3.85% per annum, payable semiannually on the last day of April and October in each year commencing 2013. As of December 31, 2014 and December 31, 2013, the principal balance of the notes payable was $38,011,733 and $39,024,819, respectively, which approximates fair value.

Future maturities of the principal note payments are as follows:

	AMOUNT
2015	$ 1,052,466
2016	1,093,376
2017	1,135,876
2018	1,180,028
2019	1,225,896
Thereafter	32,324,091
	$ 38,011,733

The note purchase agreement contains financial covenants customary for such transactions, including limits on minimum total net assets, maximum total indebtedness to total net assets and priority indebtedness. The Endowment was in compliance with its covenants as of December 31, 2014.

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(8) NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	2014	2013
Duke University under Original Corpus, Corpus Item VIII and Corpus Item XI	$ 646,507,919	$ 620,392,529
Other charitable purposes	2,448,484,635	2,349,579,226
TEMPORARILY RESTRICTED NET ASSETS	**$ 3,094,992,554**	**$ 2,969,971,755**

Permanently restricted net assets consist of the following at December 31:

	2014	2013
Duke University under Original Corpus, Corpus Item VIII and Corpus Item XI	$ 54,244,354	$ 54,244,354
Other charitable purposes	205,436,724	205,436,724
PERMANENTLY RESTRICTED NET ASSETS	**$ 259,681,078**	**$ 259,681,078**

(9) PENSION AND OTHER POSTRETIREMENT PLANS

The Endowment sponsors a noncontributory defined benefit pension plan covering all eligible employees, as defined under the plan. The benefits are based on years of service and the employee's average final creditable compensation. Contributions of $0 and $1,450,000 were made to the plan during 2014 and 2013, respectively. The benefit obligation as of December 31, 2014 and 2013 was $19,440,483 and $15,556,732, respectively, and the net pension liability, included in the other liabilities in the statements of financial position, was $7,415,235 and $3,416,980, respectively, based on actuarial assumptions at December 31, 2014 and 2013.

The Endowment also sponsors a defined contribution plan with the Endowment providing matching contributions equal to 100% of employee contributions up to 3% and 50% of employee contributions between 3% and 5%. All full-time employees are eligible after a three-month waiting period. Total Endowment contributions in 2014 and 2013 were $187,012 and $179,603, respectively.

The Endowment provides certain health care and life insurance benefits to retired employees. The accumulated postretirement benefit obligation at the latest measurement date of December 31, 2013 was $3,041,907. At December 31, 2014, the Endowment determined that any additional liability for unfunded retirement benefits extended to retirees and to employees upon their retirement since the latest measurement date would not be material to its net assets.

(10) SUBSEQUENT EVENTS

The Endowment has evaluated its December 31, 2014 financial statements for subsequent events through May 8, 2015, the date the financial statements were available to be issued. The Endowment is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

THE DUKE ENDOWMENT

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