UNITED HOSPITAL FUND OF NEW YORK

Financial Statements

February 28, 2010 and 2009

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Directors
United Hospital Fund of New York:

We have audited the accompanying statements of financial position of United Hospital Fund of New York (the Fund) as of February 28, 2010, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative financial statements of the Fund as of and for the year ended February 28, 2009 were audited by other auditors whose report dated July 27, 2009 expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Hospital Fund of New York as of February 28, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

June 30, 2010

UNITED HOSPITAL FUND OF NEW YORK

Statements of Financial Position

February 28, 2010 and 2009

Assets		**2010**	**2009**
Cash and cash equivalents (note 14)	$	3,535,023	2,963,020
Grants and other receivables, net (note 3)		1,541,483	1,906,426
Other assets		734,903	659,617
Prepaid pension benefit costs (note 8)		—	95,468
Investments (notes 4, 9, and 13)		96,444,565	75,931,411
Property and equipment, net (note 5)		649,487	941,166
Beneficial interest in perpetual trusts (notes 7, 11, and 13)		3,250,304	2,620,201
Total assets	$	106,155,765	85,117,309
Liabilities and Net Assets			
Liabilities:			
Accounts payable and other liabilities	$	739,701	695,060
Pension benefit liability (notes 8 and 13)		817,035	—
Rent obligation (note 9)		149,908	372,832
Grant commitments (note 6)		1,652,520	1,706,900
Accrued postretirement benefits (note 8)		612,257	606,811
Total liabilities		3,971,421	3,381,603
Net assets:			
Unrestricted (note 10)		79,248,730	62,371,171
Temporarily restricted (notes 7 and 10)		18,527,870	15,729,334
Permanently restricted (notes 7 and 10)		4,407,744	3,635,201
Total net assets		102,184,344	81,735,706
Total liabilities and net assets	$	106,155,765	85,117,309

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statements of Activities

Years ended February 28, 2010 and 2009

	2010				2009			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Operating revenues and support:								
Public support:								
Foundation grants	$ —	782,621	—	782,621	—	2,440,092	—	2,440,092
Government grants	1,833,694	—	—	1,833,694	2,683,782	—	—	2,683,782
Legacies	51,393	—	—	51,393	—	—	—	—
Contributions	441,967	—	—	441,967	476,110	—	—	476,110
Special events (net of direct expenses of $457,904 in 2010 and $410,949 in 2009)	2,418,087	—	—	2,418,087	2,264,967	—	—	2,264,967
Total public support	4,745,141	782,621	—	5,527,762	5,424,859	2,440,092	—	7,864,951
Other revenues:								
Conferences, publications, and other	91,213	—	—	91,213	78,005	—	—	78,005
Investment return designated for current operations (note 4)	6,203,000	—	—	6,203,000	6,205,000	—	—	6,205,000
Other investment income	120,810	—	—	120,810	128,192	—	—	128,192
Total other revenues	6,415,023	—	—	6,415,023	6,411,197	—	—	6,411,197
Net assets released from restrictions (note 7)	1,644,647	(1,644,647)	—	—	1,987,781	(1,987,781)	—	—
Total operating revenues and support	12,804,811	(862,026)	—	11,942,785	13,823,837	452,311	—	14,276,148
Operating expenses:								
Program services:								
Grants	1,728,098	—	—	1,728,098	1,557,000	—	—	1,557,000
Health services research, policy analysis, education, and voluntary initiatives	5,858,295	—	—	5,858,295	6,745,849	—	—	6,745,849
Publications and information services	1,054,587	—	—	1,054,587	1,060,425	—	—	1,060,425
Total program services	8,640,980	—	—	8,640,980	9,363,274	—	—	9,363,274
Supporting services:								
Administrative and general	2,651,338	—	—	2,651,338	2,956,961	—	—	2,956,961
Fundraising	832,728	—	—	832,728	737,930	—	—	737,930
Total supporting services	3,484,066	—	—	3,484,066	3,694,891	—	—	3,694,891
Total operating expenses	12,125,046	—	—	12,125,046	13,058,165	—	—	13,058,165
Change in net assets from operations	679,765	(862,026)	—	(182,261)	765,672	452,311	—	1,217,983
Nonoperating activities and support:								
Investment return (loss) more than (less than) amounts designated for current operations (note 4)	16,645,883	3,803,002	—	20,448,885	(36,803,581)	(4,558,345)	—	(41,361,926)
Pension related changes other than net periodic pension cost (note 8)	(453,639)	—	—	(453,639)	(353,744)	—	—	(353,744)
Postretirement related changes other than net periodic postretirement cost (note 8)	5,550	—	—	5,550	120,645	—	—	120,645
Change in value of beneficial interest in perpetual trusts (note 11)	—	—	630,103	630,103	—	—	(1,130,308)	(1,130,308)
Approved transfer to fund pension	—	—	—	—	390,000	—	—	390,000
Tax expense from unrelated business income (note 4)	—	—	—	—	(388,818)	—	—	(388,818)
Reclassification of funds	—	(142,440)	142,440	—	—	—	—	—
Change in net assets from nonoperating activities and support	16,197,794	3,660,562	772,543	20,630,899	(37,035,498)	(4,558,345)	(1,130,308)	(42,724,151)
Change in total net assets	16,877,559	2,798,536	772,543	20,448,638	(36,269,826)	(4,106,034)	(1,130,308)	(41,506,168)
Net assets at beginning of year	62,371,171	15,729,334	3,635,201	81,735,706	98,640,997	19,835,368	4,765,509	123,241,874
Net assets at end of year	$ 79,248,730	18,527,870	4,407,744	102,184,344	62,371,171	15,729,334	3,635,201	81,735,706

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statements of Cash Flows

Years ended February 28, 2010 and 2009

		2010	2009
Cash flows from operating activities:			
Change in net assets	$	20,448,638	(41,506,168)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		308,611	330,616
Realized and unrealized (gains) losses on investments		(25,267,072)	36,449,455
Change in value of beneficial interest in perpetual trusts		(630,103)	1,130,308
Net change in assets and liabilities:			
Grants and other receivables, net		364,943	914,749
Prepaid pension benefit costs		95,468	(35,854)
Other assets		(75,286)	25,704
Accounts payable, other liabilities, and rent obligation		(178,283)	(400,874)
Pension benefit liability		817,035	—
Grant commitments		(54,380)	(224,344)
Accrued pension and postretirement benefits		5,446	(96,477)
Net cash used in operating activities		(4,164,983)	(3,412,885)
Cash flows from investing activities:			
Purchases of property and equipment		(16,932)	(62,045)
Purchases of investments		(31,138,287)	(15,758,149)
Proceeds from sales of investments		35,892,205	20,734,891
Net cash provided by investing activities		4,736,986	4,914,697
Net increase in cash and cash equivalents		572,003	1,501,812
Cash and cash equivalents, beginning of year		2,963,020	1,461,208
Cash and cash equivalents, end of year	$	3,535,023	2,963,020
Supplemental disclosure of cash flow information:			
Cash paid during the year for income taxes	$	—	388,818

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statement of Functional Expenses

Year ended February 28, 2010

	Program services				Supporting services			
	Grants	**Health services research, policy analysis, education, and voluntary initiatives**	**Publications and information services**	**Total program services**	**Administrative and general**	**Fundraising**	**Total supporting services**	**Total**
Salaries and benefits:								
Salaries	$ —	2,994,427	495,144	3,489,571	1,155,182	410,706	1,565,888	5,055,459
Benefits (note 8)	—	1,147,379	190,378	1,337,757	473,652	153,796	627,448	1,965,205
Total salaries and benefits	—	4,141,806	685,522	4,827,328	1,628,834	564,502	2,193,336	7,020,664
Grants	1,728,098	—	—	1,728,098	—	—	—	1,728,098
Other expenses:								
Consulting and professional fees	—	568,196	47,532	615,728	433,422	36,932	470,354	1,086,082
Occupancy costs (note 9)	—	721,144	172,123	893,267	399,100	128,254	527,354	1,420,621
Conference costs	—	112,582	—	112,582	11,726	6,018	17,744	130,326
Printing costs	—	102,106	78,381	180,487	328	52,495	52,823	233,310
Other	—	212,461	71,029	283,490	177,928	44,527	222,455	505,945
Total other expenses	—	1,716,489	369,065	2,085,554	1,022,504	268,226	1,290,730	3,376,284
Total operating expenses	$ 1,728,098	5,858,295	1,054,587	8,640,980	2,651,338	832,728	3,484,066	12,125,046
Special events								457,904
Total expenses								$ 12,582,950

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statement of Functional Expenses

Year ended February 28, 2009

	Program services				Supporting services			
	Grants	**Health services research, policy analysis, education, and voluntary initiatives**	**Publications and information services**	**Total program services**	**Administrative and general**	**Fundraising**	**Total supporting services**	**Total**
Salaries and benefits:								
Salaries	$ —	3,256,319	506,416	3,762,735	1,242,228	352,034	1,594,262	5,356,997
Benefits (note 8)	—	1,174,163	151,799	1,325,962	497,016	116,630	613,646	1,939,608
Total salaries and benefits	—	4,430,482	658,215	5,088,697	1,739,244	468,664	2,207,908	7,296,605
Grants	1,557,000	—	—	1,557,000	—	—	—	1,557,000
Other expenses:								
Consulting and professional fees	—	1,081,899	69,125	1,151,024	524,586	27,468	552,054	1,703,078
Occupancy costs (note 9)	—	707,574	152,110	859,684	374,862	105,673	480,535	1,340,219
Conference costs	—	129,422	2,594	132,016	15,879	11,613	27,492	159,508
Printing costs	—	117,874	98,536	216,410	440	54,912	55,352	271,762
Other	—	278,598	79,845	358,443	301,950	69,600	371,550	729,993
Total other expenses	—	2,315,367	402,210	2,717,577	1,217,717	269,266	1,486,983	4,204,560
Total operating expenses	$ 1,557,000	6,745,849	1,060,425	9,363,274	2,956,961	737,930	3,694,891	13,058,165
Special events								410,949
Total expenses								$ 13,469,114

See accompanying notes to financial statements.

(1) Organization

The United Hospital Fund of New York (the Fund) is a not-for-profit organization incorporated under the laws of New York State and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

The Fund is a health services research and philanthropic organization whose mission is to shape positive change in health care for the people of New York. The Fund was founded in 1879 by hospital trustees to help meet the financial needs of New York City's not-for-profit hospitals through a unified and coordinated citywide annual fundraising effort and to help hospitals address common concerns.

Over the years, the Fund has evolved into a nationally recognized independent research and philanthropic organization dedicated to inspiring and nurturing innovation and improvement across the full spectrum of health care delivery and financing. The Fund currently focuses its efforts to address four pressing issues:

- Expanding Health Insurance Coverage – The Fund is working to expand health insurance coverage and to create effective, stable health insurance programs.
- Strengthening Hospital Finances – The Fund is working to achieve financial stability for hospitals and other health care providers and ensure adequate access to capital for necessary investment and innovation.
- Improving Health Care Quality and Patient Safety – The Fund is working to advance the New York region as a major center of innovation in health care quality and safety.
- Redesigning Health Care Services to Meet Burgeoning Chronic Care Needs – The Fund is working to create systems of care that meet the needs of patients and their families, especially those with chronic diseases.

The Fund's approach to positive change and problem-solving draws on four methods: *information and analysis* that clarify health care issues, identify possible solutions, and shape public policy; *partnerships* that engage leaders, bridge perspectives, and develop new ideas and approaches within the health care community and with business and government; *grantmaking* that stimulates innovation by testing new ideas and proposed solutions; and *communications* that "tell the story" and build consensus and partnerships to implement effective policies and proven strategies.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

(b) Net Asset Classifications

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 Fund and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. This includes unrestricted gifts which the Board designates for long-term investment purposes but that the Board can approve for use at a future date.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met either by actions of the Fund and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Fund. Generally, the donors of these assets permit the Fund to use all or part of the income earned on related investments.

Revenues, gains, and other support are reported as increases in unrestricted net assets unless their use is limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e. the donor-imposed stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

(c) Measure of Operations

In the statements of activities, the Fund includes in its definition of operations, all support, revenue, and expenses that are an integral part of its program and supporting activities. Investment income, including net realized and unrealized gains and losses, earned in excess of the Fund's authorized spending policy, pension and other postretirement related changes other than net periodic cost, and other nonrecurring activities are recognized as nonoperating activities and support.

(d) Contributions and Grants

Contributions and grants, which include unconditional promises to give, are recognized as revenues in the period received. Conditional contributions and promises to give are not recognized until they become unconditional, that is when the future and uncertain event on which they depend has occurred. Contributions with a donor-designated recipient are treated as pass-through items and are recognized as a receivable and payable, with no impact on the statements of activities. Donated securities are measured at fair value at the date of the contribution. Unless material, the Fund does not discount to present value, contributions to be received greater than one year.

(e) Legacies

Legacies are recognized as support when the wills have passed probate and the sum is certain.

(f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash, demand bank accounts, and short-term money market accounts, but exclude cash held for long-term investment. The Fund maintains cash in one commercial bank and the balance, at times, may exceed insured limits. The Fund has not experienced any losses in such accounts.

(g) Investments

Investments in short-term instruments, fixed income securities, and equity securities are carried at fair value based on published market prices at the end of the fiscal year. Investments in mutual funds are valued at their closing net asset value per share on the valuation date, which is their redeemable value. Investments in investment funds and limited partnerships are stated at the net asset value as provided by the investment managers. Because of the inherent uncertainty of valuation of the Fund’s investments in investment partnerships and for certain underlying investments held by the investment partnerships, values for those investments may differ significantly from values that would have been used had a ready market for the investments existed. Purchases and sales of short-term instruments, fixed income securities, and equity securities are reflected on the trade date basis. Investment income and gains are recorded on an accrual basis.

(h) Property and Equipment

Purchases in excess of $1,000 are capitalized and are recorded at cost. Property and equipment are depreciated using the straight-line method over their estimated useful lives which approximate 37 years for property and ranges from 3 to 5 years for equipment. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease.

(i) Grant Commitments

Grant commitments consist of grants which the Fund is obligated to pay to beneficiary hospitals or other organizations. Grants are recorded as a liability and related expense when the Board of Directors approves them. Unless material, the Fund does not discount to present value, commitments to be paid later than one year.

(j) Beneficial Interest in Perpetual Trusts

The Fund receives periodic income from certain trusts that require part or all of the income to be paid to the Fund in perpetuity. Title to the principal interests in the assets of these trusts is held by outside trustees not affiliated with the Fund, who retain control over the investment decisions regarding these assets. U.S. generally accepted accounting principles require, however, that these trusts be recorded as permanently restricted net assets in the Fund’s financial statements. As a result, the Fund has recorded the trusts based upon the Fund’s ownership percentage of the fair value of the underlying assets. Changes in the value of the investments are recognized as gains or losses in permanently restricted net assets in the accompanying statements of activities on an annual basis.

(k) Board Spending Policy

The Fund maintains an investment pool for certain investments. Its Board of Directors has authorized a policy to provide a predictable flow of funds to support operations. The policy permits allocation based on a trailing moving average of the pool calculated as of the calendar year end, as operating income in the following fiscal year, even in the event the actual return achieved is inadequate to meet the allocation. The allocation authorized for the years ended February 28, 2010 and 2009 were 5.6% and 5.7%, respectively. For the years ended February 28, 2010 and 2009, the trailing moving average used was a thirty-six month base. Certain endowment gifts are restricted for specific purposes, the income from which, included in the spending rate, is spent in accordance with those restrictions.

(l) Functional Allocation of Expenses

The costs of providing the various program and other activities of the Fund have been summarized on a functional basis in the statements of activities. Accordingly, costs have been allocated directly among the programs and supporting services benefited.

(m) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingencies at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(n) New Accounting Pronouncements

The Fund adopted Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, with respect to investments within its scope (principally hedge funds and private equity – collectively, alternative investments). This guidance amends Accounting Standards Codification (ASC) No. 820-10, *Fair Value Measurements and Disclosures,* and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. In addition, classification of these investments within the fair value hierarchy is based on the Fund’s ability to timely redeem its interest rather than on valuation inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The asset or liability’s fair value measurement is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Effective February 28, 2010, the Fund adopted ASC No. 855-10, *Subsequent Events* (ASC 855-10). ASC 855-10 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The Fund evaluated events subsequent to February 28, 2010 through June 30, 2010, the date on which the financial statements were issued. The adoption of ASC 855-10 had no impact on the Fund's financial statements.

In June 2006, the Financial Accounting Standards Board (FASB) issued ASC No. 740-10, *Accounting for Uncertainty Income Taxes* (ASC 740-10), which addresses accounting for, and disclosure of, uncertain tax positions. ASC 740-10 prescribes a model for how an entity should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the entity has taken or expects to take on a tax return. Under ASC 740-10, the financial statements reflect expected future tax consequences of such positions, presuming the tax authorities' full knowledge of the position, and all relevant facts. ASC 740-10 requires an entity to recognize the benefit of tax positions when it is "more likely than not" that the provision will be sustainable based on the merits of the position. The Fund adopted ASC 740-10 in 2010, which did not have a material impact on the Fund's financial statements.

In June 2009, FASB issued ASC No. 105-10, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (ASC 105-10). The Codification brings together and organizes all Generally Accepted Accounting Principles (GAAP) and designates GAAP into two levels, authoritative and nonauthoritative. As of February 28, 2010, the Fund adopted ASC 105-10, which did not have a material impact on the Fund's financial statements.

(3) Grants and Other Receivables

Grants and other receivables outstanding were as follows:

		2010	2009
Gross receivables due:			
Within one year	$	1,520,233	1,850,726
One to five years		30,000	90,000
Gross receivables		1,550,233	1,940,726
Allowance for doubtful accounts		(8,750)	(34,300)
	$	1,541,483	1,906,426

(4) Investments

Investments consisted of the following as of February 28:

		2010	2009	
Held at financial institutions:				
Cash and short-term investments	$	453,213	3,199,762	
Accrued income		9,787	7,184	
Mutual funds – fixed income and bonds		17,419,963	18,765,899	
Mutual funds – primarily U.S. equities		7,141,885	4,295,364	
U.S. common stocks		6,528,847	3,302,577	
International equities		2,419,662	609,897	
Treasury inflation – protected securities		2,857,702	1,186,275	F
		36,831,059	31,366,958	
Limited partnerships/commingled funds:				
Absolute return fund of funds		13,671,832	11,840,307	A
Real estate fund of funds		1,116,197	1,466,370	E
WTC common trust fund real asset portfolio		6,228,067	4,213,361	B
International value equity trust		14,512,168	13,628,297	C
Concentrated core equities fund		8,592,670	6,051,485	D
Investable emerging markets country fund		5,232,543	3,833,993	G
Equity hedge funds		4,097,567	3,530,640	H
International equity		6,162,462	—	I
		59,613,506	44,564,453	
	$	96,444,565	75,931,411	

A The Absolute Return Fund of Funds is an investment in a limited partnership that invests primarily through a diversified group of other funds. The goal of the fund is to achieve consistent long-term growth of capital with reduced volatility. The underlying assets consist of equity and fixed income securities as well as derivative investments, including futures contracts and other arbitrage opportunities. As of December 31, 2009, the investment in the limited partnership was shifted to an investment in an exempted company with limited liability incorporated in the Cayman Islands, and managed by the same entity that manages the limited partnership. The investment exhibits the same investment approach as the limited partnership.

B The WTC Common Trust Fund Real Asset Portfolio is an inflation hedge fund that invests in four primary asset categories that offer strong relative performance in rising inflation environments. The underlying assets consist of equity securities (primarily companies involved in energy, metals and mining, and forest sectors), real estate securities, fixed income securities (primarily inflation-linked government and corporate bonds), and commodity futures.

C The International Value Equity Trust is a commingled fund formed primarily to afford participants an opportunity to obtain long-term capital gains and income from a diversified portfolio of equity securities of companies ordinarily incorporated outside of the United States. At times, this fund may enter into foreign currency contracts with banks for purchases and sales of securities denominated in a foreign currency, thus fixing the U.S. dollar price of the security traded. Unanticipated changes in currency prices may result in poorer overall performance for this fund than if it had not entered into such contracts.

D The Concentrated Core Equities Fund is a commingled fund that is generally invested in equity securities. This fund primarily targets top large cap companies and seeks to maximize total return, with an emphasis on capital appreciation.

E The Real Estate Fund of Funds is an investment in a limited partnership that invests in real estate managers pursuing traditional commercial property strategies. This fund can have up to 20% invested internationally.

F As of February 28, 2009, the Treasury Inflation-Protected Securities was made up of U.S. government notes of which the principal value was adjusted semiannually based on changes in the consumer price index. A fixed rate of interest was applied to the inflation-adjusted principal. Upon maturity, the Treasury will pay either the greater of the inflation-adjusted principal or the face value of the note. As of February 28, 2010, this fund consists primarily of inflation-indexed securities of which at least 80% of assets are invested in inflation-indexed bonds of the U.S. government. However, up to 35% of assets may be invested in noninflation-indexed securities, such as corporate debt, U.S. government, and agency bonds. This fund typically maintains a dollar-weighted average maturity of 7 – 10 years. This fund may also invest in options and futures and up to 15% of assets may be invested in illiquid securities.

G The Investable Emerging Markets Country Fund’s objective is to achieve long-term capital growth by investing in emerging markets. Its policy is to make such investments indirectly through closed-end country funds whose assets are invested principally in emerging markets.

H The Equity Hedge Fund is an offshore limited partnership that invests primarily in long-short equity hedge funds. The objective of the fund is to outperform the indices over a two-year period with significantly lower volatility and correlation to those indices. The underlying investments consist of common stocks and debt securities in the United States and abroad, as well as options and futures.

I The International Equity is a comingled fund comprising well-managed, financially strong, growing international companies with a competitive advantage. Risk is managed through prudent diversification across dimensions of geography, industry sector, currency, and size. Foreign currency exposure is not routinely hedged.

As of February 28, 2010, the following table summarizes the composition of $59,613,506 at fair value of investments by the various redemption provisions and lock-up periods:

Redemption period		Amount
Daily	$	6,162,462
Monthly		34,565,448
Quarterly		—
Annual		4,097,567
Lock-up		14,788,029
Total	$	59,613,506

The amount subject to redemption lock-up is set to expire as follows:

Fiscal year		Amount
2011	$	13,671,832
2012		—
2013		—
2014		—
2015		—
2016		1,116,197
Total	$	14,788,029

Investment return and its classification in the statements of activities are as follows:

	2010			2009		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Dividends and interest (net of investment and advisory fees of $355,976 in 2010 and $431,186 in 2009)	$ 1,138,890	245,923	1,384,813	1,506,985	175,544	1,682,529
Realized gain (loss) on investments	3,772,001	814,498	4,586,499	(601,306)	(70,044)	(671,350)
Unrealized gain (loss) on investments	17,007,992	3,672,581	20,680,573	(32,045,260)	(3,732,845)	(35,778,105)
	21,918,883	4,733,002	26,651,885	(31,139,581)	(3,627,345)	(34,766,926)
Spending rate allocated for current operations	930,000	(930,000)	—	931,000	(931,000)	—
	22,848,883	3,803,002	26,651,885	(30,208,581)	(4,558,345)	(34,766,926)
Investment return designated for current operations	(6,203,000)	—	(6,203,000)	(6,205,000)	—	(6,205,000)
Approved transfer to fund pension	—	—	—	(390,000)	—	(390,000)
Investment return more than (less than) amounts designated for current operations	$ 16,645,883	3,803,002	20,448,885	(36,803,581)	(4,558,345)	(41,361,926)

Although the Fund is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, income from certain activities not related to the Fund's exempt purpose is subject to taxation as unrelated business income. Income taxes for such unrelated business income totaled $388,818 for the year ended February 28, 2009 and are included in nonoperating expenses in the accompanying statements of activities. There were no unrelated business income taxes for the year ended February 28, 2010.

(5) Property and Equipment

Property and equipment consisted of the following as of February 28:

	2010	2009
Property	$ 415,863	415,863
Leasehold improvements	2,796,300	2,796,300
Furniture and office equipment	1,530,411	1,523,133
	4,742,574	4,735,296
Accumulated depreciation and amortization	(4,093,087)	(3,794,130)
Total	$ 649,487	941,166

(6) Grant Commitments

Grant commitments of $1,652,520 and $1,706,900 as of February 28, 2010 and 2009, respectively, are payable within one year.

(7) Restricted Net Assets

Net assets were restricted for the following purposes as of February 28:

		2010	2009
Temporarily restricted net assets to support:			
Distributions to member hospitals	$	16,052,579	12,392,773
Program grants		40,000	2,315,430
Program grants (time restriction)		2,429,627	1,015,265
Charitable remainder trust		5,664	5,866
	$	18,527,870	15,729,334

		2010	2009
Permanently restricted net assets:			
Investments to be held in perpetuity, the income from which is temporarily restricted to support directed distribution	$	1,157,440	1,015,000
Beneficial interest in perpetual trusts, the income from which is unrestricted		3,250,304	2,620,201
	$	4,407,744	3,635,201

(8) Pension and Postretirement Benefit Plans

The Fund has a qualified defined benefit pension plan (Pension or Plan) for eligible employees. The benefits are based on years of service and the employee’s average final compensation. Average annual compensation is defined as the amount paid to a member during their five most highly paid consecutive years of participation during the 10 years immediately preceding their retirement or termination of service.

The Fund’s funding policy is to contribute such amounts as are necessary on an actuarial basis to provide the Plan with assets sufficient to provide benefits to plan participants. On June 20, 2007, the Board elected to close the defined benefit plan to new members and to freeze the plan for existing members as of December 31, 2011.

The Fund also has a noncontributory unfunded postretirement benefit plan (Postretirement) which covers substantially all employees and their spouses. Each participant will be eligible to receive benefits at age sixty-five and after five years of service. Coverage for both the retiree and the spouse continues for their lifetimes, so long as required contributions are made. Employees who retired on or after February 1, 1993 are not eligible for Medicare Part B premium reimbursement.

Health care cost trend assumptions were not used in the postretirement calculation since the benefit liability attributable to the Fund is determined by the portion of the total cost of medical benefits that are covered by the Fund. The Fund's contribution amount is $1,500 per year for individuals and $3,000 per year for family coverage, without regard to the total cost of the medical benefit in each case. The liability, based on this flat dollar benefit amount contributed by the Fund, assumes no further increases in the $1,500/$3,000 Fund contribution.

The accumulated pension and postretirement benefit obligations and the funded status of the plans as of February 28, 2010 and 2009 are as follows:

		Pension		Postretirement	
		2010	**2009**	**2010**	**2009**
Change in benefit obligation:					
Benefit obligation, beginning of year	$	11,176,249	10,451,301	606,811	703,288
Service cost		350,490	377,007	18,360	20,854
Interest cost		746,853	693,454	40,194	43,117
Actuarial loss (gain)		1,462,540	77,961	(30,545)	(138,784)
Benefits paid		(449,503)	(423,474)	(22,563)	(21,664)
Benefit obligation, end of year		13,286,629	11,176,249	612,257	606,811
Fair value of plan assets		12,469,594	11,271,717	—	—
Funded status	$	(817,035)	95,468	(612,257)	(606,811)
Accumulated benefit obligation	$	12,998,053	10,647,553	612,257	606,811
Employer contributions		—	847,015	(22,563)	21,664

The components of benefit cost for the years ended February 28, 2010 and 2009 are as follows:

		Pension		Postretirement	
		2010	**2009**	**2010**	**2009**
Service cost	$	350,490	377,007	18,360	20,854
Interest cost		746,853	693,454	40,194	43,117
Expected return on assets		(661,756)	(636,321)	—	—
Amortization of prior service cost		23,277	23,277	—	—
Recognized actuarial gain		—	—	(24,995)	(18,139)
Net benefit cost	$	458,864	457,417	33,559	45,832

The amounts recognized in unrestricted net assets for the pension plan consist of the following as of February 28, 2010 and 2009:

		2010	2009
Net actuarial loss (gain)	$	400,169	(76,747)
Prior service cost		52,375	75,652
	$	452,544	(1,095)

The amounts recognized in unrestricted net assets for the postretirement plan consist of the following as of February 28, 2010 and 2009:

		2010	2009
Net actuarial gain	$	319,720	314,170

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the pension plan for the year ended February 28, 2010 are as follows:

		Pension	Postretirement	Total
Prior service cost	$	(23,277)	—	(23,277)
Net gain (loss)		476,916	(5,550)	471,366
Total recognized in change in unrestricted net assets		453,639	(5,550)	448,089
Net periodic benefit cost		458,864	33,559	492,423
Total recognized in change in unrestricted net assets and net periodic benefit cost	$	912,503	28,009	940,512

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the pension plan for the year ended February 28, 2009 are as follows:

		Pension	Postretirement	Total
Prior service cost	$	(23,277)	—	(23,277)
Net gain (loss)		377,021	(120,645)	256,376
Total recognized in change in unrestricted net assets		353,744	(120,645)	233,099
Net periodic benefit cost		457,417	45,832	503,249
Total recognized in change in unrestricted net assets and net periodic benefit cost	$	811,161	(74,813)	736,348

The amounts expected to be recognized in net periodic pension and benefit costs during fiscal year 2011 are as follows:

		Pension	Postretirement
Cost recognition	$	23,277	—
Loss recognition		—	26,052
	$	23,277	26,052

The Fund does not expect to make a contribution to its pension plan in fiscal year 2011.

The weighted average assumptions used to determine the components of benefit cost as of and for the years ended February 28, 2010 and 2009 were as follows:

	Pension		Postretirement	
	2010	2009	2010	2009
Weighted average assumptions:				
Discount rate	5.80%	6.80%	5.78%	6.80%
Expected return on plan assets	6.00	6.00	—	—
Rate of compensation increase	3.50	3.50	—	—

The defined benefit plan's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid in each of the next five years and in the aggregate for the five years thereafter:

	Pension	Postretirement
2011	$ 648,394	48,625
2012	664,073	48,932
2013	749,343	46,972
2014	740,801	45,016
2015	763,681	43,015
5 years thereafter	4,555,032	216,102
	$ 8,121,324	448,662

The assets (expressed in percentages) for the pension plan consisted of the following as of February 28, 2010 and 2009:

	2010	2009
Debt securities	68%	69%
Immediate participation guarantee contract, unallocated	32	31
	100%	100%

The composition of the Fund's plan assets, other than the Immediate Participation Guarantee contract, unallocated, had been a target asset mix allocated 60%/40% between equity and inflation hedging plus fixed income securities. Based on the defined benefit plan's freeze on December 31, 2011, the Board elected to change its investment strategy from a targeted asset mix pension allocated 60%/40% between equity, inflation hedging, and fixed income securities to a 100% fixed income security strategy. The Board's decision was based on its desire to reduce volatility in investment return and thus provide a more predictable asset value sufficient to meet the Fund's liability at December 31, 2011. The Board will continue to evaluate its strategy over the ensuing years to determine the strategy's effectiveness in achieving sufficient asset value. Volatility of annual returns, including losses in value, may be tolerated provided they are consistent with current benchmark volatility and there are reasonable expectations the Plan can achieve its long-term objectives.

In addition to the defined benefit retirement plan, the Fund maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code, in which all employees, as defined, are eligible to participate. Participants may make voluntary contributions, subject to plan limitations, to be applied toward the purchase of retirement annuities. The Fund is obligated to match annual employee contributions, measured as of December 31 of each year, up to a maximum of $2,000 for each eligible employee, as defined in this plan. In conjunction with the freezing of the defined benefit plan in fiscal year 2008, the Board implemented an enhancement to its defined contribution retirement plan under Section 403(b) of the

Internal Revenue Code during calendar year 2007. The enhancement allowed for a discretionary employer contribution of 4% to 8% based on years of service. The enhancement was available immediately to those not eligible for the defined benefit plan as of June 20, 2007, and will be made available to defined benefit plan participants on January 1, 2012, subsequent to the defined benefit plan's freeze on December 31, 2011. For the years ended February 28, 2010 and 2009, the Fund contributed $136,427 and $143,639, respectively, to the defined contribution plan. All contributions vest immediately. This plan's assets consist primarily of U.S. equity holdings and fixed income securities.

In December 2002, due to IRS Tax Code changes, the Fund implemented a 457(b) defined contribution retirement plan, in which only certain highly compensated employees are eligible to participate. Participants may make voluntary contributions, subject to plan limitations, applicable toward the purchase of retirement annuities. The Fund may make a contribution to the Plan on behalf of certain participants as defined in the Plan to receive a Fund contribution. For the years ended February 28, 2010 and 2009, the Fund contributed $33,860 and $35,588, respectively, to this plan.

(9) Commitments

In December 1994, the Fund entered into a lease for office facilities at 350 Fifth Avenue. The lease expires in March 2011, and the terms provide for rent credits totaling $1,788,122 that offset payments due in the early years. Rent credits and charges are accounted for on a straight-line basis over the life of the lease. On August 31, 2001, the Fund entered into a first lease modification agreement for additional space. This modification agreement provides for additional rent credits totaling $52,583 to apply against the initial additional rent obligation.

The Fund is currently reviewing its office space leasing options in anticipation of the expiration of its current lease in 2011.

In December 2007, the Fund entered into a lease for office facilities in Albany. The lease expires in December 2012.

Future minimum lease payments as of February 28, 2010, net of the applicable rent credits, for the fiscal years ending February 28 are as follows:

2011	$ 852,000
2012	16,000
2013	13,000
	$ 881,000

Rental expense for the years ended February 28, 2010 and 2009 amounted to $628,911 and $628,783, respectively, and a liability of $149,908 and $372,832, respectively, was recorded for the free rent period.

The Fund has made a commitment to invest $2,500,000 in real estate limited partnerships (real estate fund of funds investment), funded from its fixed income investments within the investment portfolio. As of February 28, 2010 and 2009, the Fund had invested $2,100,000 of this commitment. For the years ended February 28, 2010 and 2009, the Fund received redemptions of $9,109 and $64,270, respectively.

(10) Endowment Net Assets

ASC No. 958-205 (formerly, referred to as SFAS 117-1) provides guidance on the net asset classifications of donor-restricted endowment funds for a not-for-profit organization that is subject to the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). This guidance also improves disclosure about the organization's endowment funds, whether or not the organization is subject to UPMIFA. UPMIFA has not been enacted in New York State. Therefore, the Fund has implemented only the disclosure guidance provided for in ASC No. 958-205. ASC No. 958-205 is not applicable to beneficial interests in perpetual trusts.

The Fund's Board of Directors has interpreted state law to include preservation of an endowment gift's historic value measured as of the gift date, absent explicit donor stipulations to the contrary. The policy for valuing the Fund's investments is described in note 2(g). In accordance with accounting principles generally accepted in the United States of America, any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires the Fund to retain in perpetuity is to be reported in unrestricted net assets. The Fund has not incurred such deficiencies in its endowment funds as of February 28, 2010 and 2009.

The Fund's endowment investment policy states the Fund is to invest primarily in a mix of equities, alternative investments, and fixed income securities based on a prescribed asset allocation strategy designed to achieve the Fund's investment objectives. These objectives are to preserve the inflation-adjusted value of the Fund's invested assets after administrative costs and spending needs, prudently invest assets in high-quality, diversified vehicles, and achieve the optimal return possible within specified risk parameters. The prescribed asset allocation strategy is designed to achieve not less than a 0.5% rate of return, net of spending needs and expenses, over the long term. The Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Fund's annual spending rate from endowment, described in note 2(k), is to invest primarily in equities and fixed income based on an asset allocation to satisfy its overall endowment financial and investment objectives such as to preserve the principal, protect against inflation, receive stable returns, and achieve long-term growth.

The composition of the endowment net assets at February 28, 2010 is as follows:

		Unrestricted	Temporarily Restricted	Permanently restricted	Total
Board-designated quasi-endowment	$	78,669,628	—	—	78,669,628
Donor-restricted endowment		—	16,052,578	1,157,440	17,210,018
Total endowment	$	78,669,628	16,052,578	1,157,440	95,879,646

Changes in endowment net assets for the year ended February 28, 2010 are as follows:

	Board-designated unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 62,088,869	12,392,016	1,015,000	75,495,885
Investment activity:				
Interest and dividends	1,138,890	245,923	—	1,384,813
Realized gain on investments	3,772,001	814,498	—	4,586,499
Unrealized gain on investments	17,007,992	3,672,581	—	20,680,573
Spending rate applied to operations	(5,273,000)	(930,000)	—	(6,203,000)
Expenses for management advisory fees	(65,124)	—	—	(65,124)
Reclassification of funds	—	(142,440)	142,440	—
Endowment net assets, end of year	$ 78,669,628	16,052,578	1,157,440	95,879,646

(11) Beneficial Interest in Perpetual Trusts

The Fund has recorded an increase of $630,103 and a decrease of $1,130,308 in permanently restricted net assets for the years ended February 28, 2010 and 2009, respectively, relating to the change in fair value of its beneficial interest in perpetual trusts. An outside custodian holds these trusts on behalf of the Fund, the perpetual beneficiary. Certain income from the trusts is paid to the Fund and the balance, if any, is retained in the trusts.

The underlying assets in the perpetual trusts are allocated as follows:

	2010	2009
Cash and short-term investments	2%	8%
Equities	62	46
Fixed income	36	46
	100%	100%

For the years ended February 28, 2010 and 2009, the Fund received distributions from these trusts of $71,781 and $86,760, respectively.

(12) Line of Credit

In October 2009, the Fund renewed a $1,000,000 line of credit, which expires on October 29, 2010. Borrowings are unsecured and interest is charged at the bank's prime rate. There were no amounts outstanding under this agreement during the year or at February 28, 2010 and 2009.

(13) Fair Value of Financial Instruments

The following methods and assumptions were used by the Fund in estimating the fair value of each class of financial instruments for which it is practicable to estimate fair value:

Cash and Short-Term Investments, Actively Traded Mutual Funds, Common Stocks, and U.S. Treasury Inflation-Protected Securities – Valued using market prices in active markets.

Fund of Funds, Hedge Fund, and Real Estate Investment Trusts – Stated at the net asset value as provided by the investment managers.

Grants and Other Receivables, Accounts Payable and Other Liabilities, and Grant Commitments – The carrying amount reported in the statements of financial position approximates its fair value because of the short-term nature of the accounts.

Financial assets carried at fair value at February 28, 2010 are classified in the table in one of three levels as follows:

	Level 1	Level 2	Level 3	Total
Assets carried at fair value:				
Investments:				
Cash and short-term investments	$ 453,213	—	—	453,213
Accrued income	9,787	—	—	9,787
Mutual funds – fixed income and bonds	17,419,963	—	—	17,419,963
Mutual funds – primarily U.S. equities	7,141,885	—	—	7,141,885
U.S. common stocks	6,528,847	—	—	6,528,847
International equities	2,419,662	—	—	2,419,662
Treasury inflation – protected securities	2,857,702	—	—	2,857,702
Limited partnerships/commingled funds:				
Absolute return fund of funds	—	—	13,671,832	13,671,832
Real estate fund of funds	—	—	1,116,197	1,116,197
WTC common trust fund real estate portfolio	—	6,228,067	—	6,228,067
International value equity trust	—	14,512,168	—	14,512,168
Concentrated core equities fund	—	8,592,670	—	8,592,670
Investable emerging markets country fund	—	5,232,543	—	5,232,543
Equity hedge funds	—	4,097,567	—	4,097,567
International equity	—	6,162,462	—	6,162,462
Total investments	36,831,059	44,825,477	14,788,029	96,444,565
Beneficial interest in perpetual trusts	—	—	3,250,304	3,250,304
Pension plan assets:				
Immediate participation guarantee contract	—	4,008,688	—	4,008,688
Bonds	8,460,906	—	—	8,460,906
Total assets carried at fair value	$ 45,291,965	48,834,165	18,038,333	112,164,463

Financial assets carried at fair value at February 28, 2009 are classified in the table in one of three levels as follows:

		Level 1	Level 2	Level 3	Total
Assets carried at fair value:					
Investments:					
Cash and short-term investments	$	3,199,762	—	—	3,199,762
Accrued income		7,184	—	—	7,184
Mutual funds – fixed income and bonds		18,765,899	—	—	18,765,899
Mutual funds – primarily U.S. equities		4,295,364	—	—	4,295,364
U.S. common stocks		3,302,577	—	—	3,302,577
International equities		609,897	—	—	609,897
Treasury inflation – protected securities		1,186,275	—	—	1,186,275
Limited partnerships/commingled funds:					
Absolute return fund of funds		—	—	11,840,307	11,840,307
Real estate fund of funds		—	—	1,466,370	1,466,370
WTC common trust fund real estate portfolio		—	—	4,213,361	4,213,361
International value equity trust		—	13,628,297	—	13,628,297
Concentrated core equities fund		—	6,051,485	—	6,051,485
Investable emerging markets country fund		—	—	3,833,993	3,833,993
Equity hedge funds		—	—	3,530,640	3,530,640
Total investments		31,366,958	19,679,782	24,884,671	75,931,411
Beneficial interest in perpetual trusts		—	—	2,620,201	2,620,201
Pension plan assets:					
Immediate participation guarantee contract		—	3,510,240	—	3,510,240
Bonds		7,761,477	—	—	7,761,477
Total assets carried at fair value	$	39,128,435	23,190,022	27,504,872	78,551,612

(Continued)

The changes in assets measured at fair value for which the Fund has classified as Level 3 are as follows as of February 28, 2010:

Balance at February 28, 2009	$	27,504,872
Transferred to Level 2		(12,017,648)
Purchases		13,772,872
Redemptions		(13,639,523)
Realized gain		2,225,347
Unrealized loss		(437,690)
Change in value of beneficial interest in perpetual trusts		630,103
Balance at February 28, 2010	$	18,038,333

The changes in assets measured at fair value for which the Fund has classified as Level 3 are as follows as of February 28, 2009:

Balance at February 28, 2008	$	43,844,652
Purchases		222,594
Redemptions		(1,314,029)
Realized gain		689,143
Unrealized loss		(14,807,180)
Change in value of beneficial interest in perpetual trusts		(1,130,308)
Balance at February 28, 2009	$	27,504,872

(14) Concentration of Credit Risk

Financial instruments that potentially subject the Fund to a concentration of credit risk include cash accounts and other cash equivalents that may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. During 2008, FDIC insurance coverage for interest-bearing accounts, normally limited to $100,000, was increased to $250,000 until December 31, 2013. For noninterest-bearing accounts, such coverage is unlimited to December 31, 2009 for participating banks, which includes the financial institution that holds the Fund’s cash and cash equivalents. As of February 28, 2010 and 2009, the Fund’s cash and cash equivalents included cash and money market funds approximating $3,283,500 and $2,454,000, respectively, which are not covered by FDIC insurance.