# UNITED HOSPITAL FUND OF NEW YORK

Financial Statements

February 28, 2011 and 2010

(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, 2011 and 2010, and the related statements of activities, cash flows, and functional expenses for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audits provide 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

July 11, 2011

**UNITED HOSPITAL FUND OF NEW YORK**

Statements of Financial Position

February 28, 2011 and 2010

| **Assets** | | **2011** | **2010** |
|---|---|---|---|
| Cash and cash equivalents (note 14) | $ | 3,977,805 | 3,535,023 |
| Grants and other receivables, net (note 3) | | 3,402,962 | 1,541,483 |
| Other assets | | 1,135,108 | 734,903 |
| Investments (notes 4, 9, and 13) | | 107,032,706 | 96,444,565 |
| Property and equipment, net (note 5) | | 2,763,239 | 649,487 |
| Beneficial interest in perpetual trusts (notes 7, 11, and 13) | | 3,617,251 | 3,250,304 |
| Total assets | $ | 121,929,071 | 106,155,765 |
| **Liabilities and Net Assets** | | | |
| Liabilities: | | | |
| Accounts payable and other liabilities | $ | 1,412,786 | 739,701 |
| Line of credit (note 12) | | 1,700,000 | — |
| Pension benefit liability (notes 8 and 13) | | 1,502,402 | 817,035 |
| Deferred rent obligation (note 9) | | 2,396,377 | 149,908 |
| Grant commitments (note 6) | | 1,153,000 | 1,652,520 |
| Accrued postretirement benefits (note 8) | | 604,269 | 612,257 |
| Total liabilities | | 8,768,834 | 3,971,421 |
| Net assets: | | | |
| Unrestricted (note 10) | | 87,139,248 | 79,248,730 |
| Temporarily restricted (notes 7 and 10) | | 21,246,298 | 18,527,870 |
| Permanently restricted (notes 7 and 10) | | 4,774,691 | 4,407,744 |
| Total net assets | | 113,160,237 | 102,184,344 |
| Total liabilities and net assets | $ | 121,929,071 | 106,155,765 |

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statements of Activities

Years ended February 28, 2011 and 2010

| | 2011 | | | | 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Unrestricted** | **Temporarily restricted** | **Permanently restricted** | **Total** | **Unrestricted** | **Temporarily restricted** | **Permanently restricted** | **Total** |
| Operating revenues and support: | | | | | | | | |
| Public support: | | | | | | | | |
| Foundation grants | $ — | 2,128,875 | — | 2,128,875 | — | 782,621 | — | 782,621 |
| Government grants | 1,974,185 | — | — | 1,974,185 | 1,833,694 | — | — | 1,833,694 |
| Legacies | 19,031 | — | — | 19,031 | 51,393 | — | — | 51,393 |
| Contributions | 425,744 | — | — | 425,744 | 441,967 | — | — | 441,967 |
| Special events (net of direct expenses of $388,665 in 2011 and $457,904 in 2010) | 1,927,590 | — | — | 1,927,590 | 2,418,087 | — | — | 2,418,087 |
| Total public support | 4,346,550 | 2,128,875 | — | 6,475,425 | 4,745,141 | 782,621 | — | 5,527,762 |
| Other revenues: | | | | | | | | |
| Conferences, publications, and other | 65,496 | — | — | 65,496 | 91,213 | — | — | 91,213 |
| Investment return designated for current operations (note 4) | 5,925,000 | — | — | 5,925,000 | 6,203,000 | — | — | 6,203,000 |
| Other investment income | 156,221 | — | — | 156,221 | 120,810 | — | — | 120,810 |
| Total other revenues | 6,146,717 | — | — | 6,146,717 | 6,415,023 | — | — | 6,415,023 |
| Net assets released from restrictions (note 7) | 1,472,901 | (1,472,901) | | — | 1,644,647 | (1,644,647) | — | — |
| Total operating revenues and support | 11,966,168 | 655,974 | — | 12,622,142 | 12,804,811 | (862,026) | — | 11,942,785 |
| Operating expenses: | | | | | | | | |
| Program services: | | | | | | | | |
| Grants | 1,208,000 | — | — | 1,208,000 | 1,728,098 | — | — | 1,728,098 |
| Health services research, policy analysis, education, and voluntary initiatives | 5,867,629 | — | — | 5,867,629 | 5,858,295 | — | — | 5,858,295 |
| Publications and information services | 1,238,222 | — | — | 1,238,222 | 1,054,587 | — | — | 1,054,587 |
| Total program services | 8,313,851 | — | — | 8,313,851 | 8,640,980 | — | — | 8,640,980 |
| Supporting services: | | | | | | | | |
| Administrative and general | 2,849,361 | — | — | 2,849,361 | 2,586,214 | — | — | 2,586,214 |
| Fundraising | 786,861 | — | — | 786,861 | 832,728 | — | — | 832,728 |
| Total supporting services | 3,636,222 | — | — | 3,636,222 | 3,418,942 | — | — | 3,418,942 |
| Total operating expenses | 11,950,073 | — | — | 11,950,073 | 12,059,922 | — | — | 12,059,922 |
| Change in net assets from operations | 16,095 | 655,974 | — | 672,069 | 744,889 | (862,026) | — | (117,137) |
| Nonoperating activities and support: | | | | | | | | |
| Investment return more than amounts designated for current operations (note 4) | 8,230,019 | 2,062,454 | — | 10,292,473 | 16,580,759 | 3,803,002 | — | 20,383,761 |
| Pension related changes other than net periodic pension cost (note 8) | (331,284) | — | — | (331,284) | (453,639) | — | — | (453,639) |
| Postretirement related changes other than net periodic postretirement cost (note 8) | 11,952 | — | — | 11,952 | 5,550 | — | — | 5,550 |
| Change in value of beneficial interest in perpetual trusts (note 11) | — | — | 366,947 | 366,947 | — | — | 630,103 | 630,103 |
| Tax expense from unrelated business income (note 4) | (36,264) | — | — | (36,264) | — | — | — | — |
| Reclassification of funds | — | — | — | — | — | (142,440) | 142,440 | — |
| Change in net assets from nonoperating activities and support | 7,874,423 | 2,062,454 | 366,947 | 10,303,824 | 16,132,670 | 3,660,562 | 772,543 | 20,565,775 |
| Change in total net assets | 7,890,518 | 2,718,428 | 366,947 | 10,975,893 | 16,877,559 | 2,798,536 | 772,543 | 20,448,638 |
| Net assets at beginning 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 |
| Net assets at end of year | $ 87,139,248 | 21,246,298 | 4,774,691 | 113,160,237 | 79,248,730 | 18,527,870 | 4,407,744 | 102,184,344 |

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statements of Cash Flows

Years ended February 28, 2011 and 2010

| | 2011 | 2010 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ 10,975,893 | 20,448,638 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 343,401 | 308,611 |
| Realized and unrealized gains on investments | (15,100,725) | (25,267,072) |
| Change in value of beneficial interest in perpetual trusts | (366,947) | (630,103) |
| Loss on disposal of assets not fully depreciated | 11,978 | — |
| Net change in assets and liabilities: | | |
| Grants and other receivables, net | (1,861,479) | 364,943 |
| Prepaid pension benefit costs | — | 95,468 |
| Other assets | (400,205) | (75,286) |
| Accounts payable and other liabilities, and deferred rent obligation (net of investing activities) | 2,199,741 | (178,283) |
| Pension benefit liability | 685,367 | 817,035 |
| Grant commitments | (499,520) | (54,380) |
| Accrued pension and postretirement benefits | (7,988) | 5,446 |
| Net cash used in operating activities | (4,020,484) | (4,164,983) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (2,469,131) | (16,932) |
| Accounts payable related to leasehold improvements | 719,813 | — |
| Proceeds from loan drawdown | 1,700,000 | — |
| Purchases of investments | (8,797,938) | (31,138,287) |
| Proceeds from sales of investments | 13,310,522 | 35,892,205 |
| Net cash provided by investing activities | 4,463,266 | 4,736,986 |
| Net increase in cash and cash equivalents | 442,782 | 572,003 |
| Cash and cash equivalents, beginning of year | 3,535,023 | 2,963,020 |
| Cash and cash equivalents, end of year | $ 3,977,805 | 3,535,023 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for income taxes | $ 36,264 | — |
| Cash for interest on line of credit | 1,306 | — |

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statement of Functional Expenses

Year ended February 28, 2011

| | 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 | $ — | 2,824,311 | 583,821 | 3,408,132 | 1,243,756 | 351,221 | 1,594,977 | 5,003,109 |
| Benefits (note 8) | — | 992,378 | 203,594 | 1,195,972 | 467,533 | 121,368 | 588,901 | 1,784,873 |
| Total salaries and benefits | — | 3,816,689 | 787,415 | 4,604,104 | 1,711,289 | 472,589 | 2,183,878 | 6,787,982 |
| Grants | 1,208,000 | | | 1,208,000 | | | — | 1,208,000 |
| Other expenses: | | | | | | | | |
| Consulting and professional fees | — | 729,662 | — | 729,662 | 442,763 | 22,885 | 465,648 | 1,195,310 |
| Occupancy costs (note 9) | — | 977,148 | 318,260 | 1,295,408 | 510,991 | 160,117 | 671,108 | 1,966,516 |
| Conference costs | — | 104,585 | 1,009 | 105,594 | 17,212 | 17,205 | 34,417 | 140,011 |
| Printing costs | — | 58,546 | 61,400 | 119,946 | 143 | 56,541 | 56,684 | 176,630 |
| Other | — | 180,999 | 70,138 | 251,137 | 166,963 | 57,524 | 224,487 | 475,624 |
| Total other expenses | — | 2,050,940 | 450,807 | 2,501,747 | 1,138,072 | 314,272 | 1,452,344 | 3,954,091 |
| Total operating expenses | $ 1,208,000 | 5,867,629 | 1,238,222 | 8,313,851 | 2,849,361 | 786,861 | 3,636,222 | 11,950,073 |
| Special events | | | | | | | | 388,665 |
| Total expenses | | | | | | | | $ 12,338,738 |

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 | 112,804 | 44,527 | 157,331 | 440,821 |
| Total other expenses | — | 1,716,489 | 369,065 | 2,085,554 | 957,380 | 268,226 | 1,225,606 | 3,311,160 |
| Total operating expenses | $ 1,728,098 | 5,858,295 | 1,054,587 | 8,640,980 | 2,586,214 | 832,728 | 3,418,942 | 12,059,922 |
| Special events | | | | | | | | 457,904 |
| Total expenses | | | | | | | | $ 12,517,826 |

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 primary 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 analyzing the policy options that will determine the structure of the Health Insurance Exchange in New York, a major component of health reform under the federal Affordable Care Act.
- Strengthening Hospital Finances – The Fund is working to achieve financial stability for hospitals and other health care providers through a program of analysis and public reporting on trends and financing issues.
- Improving Health Care Quality and Patient Safety – The Fund is working through a series of quality improvement collaboratives with more than 50 hospitals to advance the New York region as a major center of innovation in health care quality and patient 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, through a major collaborative focusing on transitions between health care settings and through the design of a community-based diabetes control initiative.

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; *grant making* 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 $500 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, 2011 and 2010 was 5.5% and 5.6%, respectively. For the years ended February 28, 2011 and 2010, 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) Fair Values***

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. 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.

In 2011, the Fund adopted Accounting Standards Update (ASU) No. 2010-06, *Improving Disclosures About Fair Value Measurements*. The ASU amends Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Organization's interest therein, its classification in Level 2 or 3 is based on the Fund's ability to redeem its interest at or near February 28. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

***(o) Tax***

The Fund recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the Fund's exempt purpose is subject to tax under Internal Revenue Code Section 511. The Fund did not recognize any unrelated business income tax liability for the years ended February 28, 2011 and 2010.

## (3) Grants and Other Receivables

Grants and other receivables outstanding were as follows:

| | | 2011 | 2010 |
|---|---|---|---|
| Gross receivables due: | | | |
| Within one year | $ | 3,177,712 | 1,520,233 |
| One to five years | | 235,000 | 30,000 |
| Gross receivables | | 3,412,712 | 1,550,233 |
| Allowance for doubtful accounts | | (9,750) | (8,750) |
| | $ | 3,402,962 | 1,541,483 |

## (4) Investments

Investments consisted of the following as of February 28:

| | | 2011 | 2010 | |
|---|---|---|---|---|
| Held at financial institutions: | | | | |
| Cash and short-term investments | $ | 640,946 | 453,213 | |
| Accrued income | | 18,613 | 9,787 | |
| Mutual funds – fixed income and bonds | | 16,406,013 | 17,419,963 | |
| Mutual funds – primarily U.S. equities | | 8,090,245 | 7,141,885 | |
| U.S. common stocks | | 5,917,244 | 6,528,847 | |
| International equities | | 3,155,746 | 2,419,662 | |
| Treasury inflation – protected securities | | 2,061,177 | 2,857,702 | F |
| | | 36,289,984 | 36,831,059 | |
| Limited partnerships/commingled funds: | | | | |
| Absolute return fund of funds | | 15,302,763 | 13,671,832 | A |
| Real estate fund of funds | | 963,475 | 1,116,197 | E |
| WTC common trust fund real asset portfolio | | 9,094,510 | 6,228,067 | B |
| International value equity trust | | 16,321,395 | 14,512,168 | C |
| Concentrated core equities fund | | 9,455,343 | 8,592,670 | D |
| Investable emerging markets country fund | | 7,526,600 | 5,232,543 | G |
| Equity hedge funds | | 5,499,153 | 4,097,567 | H |
| International equity | | 6,579,483 | 6,162,462 | I |
| | | 70,742,722 | 59,613,506 | |
| | $ | 107,032,706 | 96,444,565 | |

A The Absolute Return Fund of Funds is an investment in an exempted company with limited liability incorporated in the Cayman Islands.

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, 2011, 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, 2011, the following table summarizes the composition of $70,742,422 at fair value of investments by the various redemption provisions and lock-up periods:

| Redemption period | Amount |
|---|---|
| Daily | $ 6,579,483 |
| Monthly | 42,397,848 |
| Quarterly | 15,302,763 |
| Annual | 5,499,153 |
| Lock-up | 963,475 |
| Total | $ 70,742,722 |

The amount subject to redemption lock-up of $963,475 is set to expire in fiscal year 2016.

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

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily restricted | Total | Unrestricted | Temporarily restricted | Total |
| Dividends and interest (net of investment and advisory fees of $478,515 in 2011 and $421,100 in 2010) | $ 898,222 | 218,526 | 1,116,748 | 1,073,766 | 245,923 | 1,319,689 |
| Realized gain on investments | 3,170,969 | 691,636 | 3,862,605 | 3,772,001 | 814,498 | 4,586,499 |
| Unrealized gain on investments | 9,225,828 | 2,012,292 | 11,238,120 | 17,007,992 | 3,672,581 | 20,680,573 |
| | 13,295,019 | 2,922,454 | 16,217,473 | 21,853,759 | 4,733,002 | 26,586,761 |
| Spending rate allocated for current operations | 860,000 | (860,000) | — | 930,000 | (930,000) | — |
| | 14,155,019 | 2,062,454 | 16,217,473 | 22,783,759 | 3,803,002 | 26,586,761 |
| Investment return designated for current operations | (5,925,000) | — | (5,925,000) | (6,203,000) | — | (6,203,000) |
| Investment return more than amounts designated for current operations | $ 8,230,019 | 2,062,454 | 10,292,473 | 16,580,759 | 3,803,002 | 20,383,761 |

## (5) Property and Equipment

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

| | | 2011 | 2010 |
|---|---|---|---|
| Property | $ | 415,863 | 415,863 |
| Leasehold improvements | | 2,370,333 | 2,796,300 |
| Furniture and office equipment | | 519,129 | 1,530,411 |
| | | 3,305,325 | 4,742,574 |
| Accumulated depreciation and amortization | | (542,086) | (4,093,087) |
| Total | $ | 2,763,239 | 649,487 |

As of February 28, 2011, assets totaling $3,906,380 primarily related to the end of lease at 350 Fifth Avenue were written off (see note 9).

## (6) Grant Commitments

Grant commitments of $1,153,000 and $1,652,520 as of February 28, 2011 and 2010, respectively, are payable within one year.

## (7) Restricted Net Assets

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

| | | 2011 | 2010 |
|---|---|---|---|
| Temporarily restricted net assets to support: | | | |
| Distributions to member hospitals | $ | 18,115,032 | 16,052,578 |
| Program grants | | 2,797,266 | 2,429,627 |
| Program grants (time restriction) | | 328,336 | 40,000 |
| Charitable remainder trust | | 5,664 | 5,664 |
| | $ | 21,246,298 | 18,527,869 |

| | | 2011 | 2010 |
|---|---|---|---|
| Permanently restricted net assets: | | | |
| Investments to be held in perpetuity, the income from which is temporarily restricted to support directed distribution | $ | 1,157,440 | 1,157,440 |
| Beneficial interest in perpetual trusts, the income from which is unrestricted | | 3,617,251 | 3,250,304 |
| | $ | 4,774,691 | 4,407,744 |

## (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, 2011 and 2010 are as follows:

| | Pension | | Postretirement | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Change in benefit obligation: | | | | |
| Benefit obligation, beginning of year | $ 13,286,629 | 11,176,249 | 612,257 | 606,811 |
| Service cost | 310,218 | 350,490 | 16,961 | 18,360 |
| Interest cost | 749,983 | 746,853 | 34,002 | 40,194 |
| Actuarial loss (gain) | 657,120 | 1,462,540 | (36,951) | (30,545) |
| Benefits paid | (479,109) | (449,503) | (22,000) | (22,563) |
| Benefit obligation, end of year | 14,524,841 | 13,286,629 | 604,269 | 612,257 |
| Fair value of plan assets | 13,022,439 | 12,469,594 | — | — |
| Funded status | $ (1,502,402) | (817,035) | (604,269) | (612,257) |
| Accumulated benefit obligation | $ 14,354,931 | 12,998,053 | 604,269 | 612,257 |
| Employer contributions | | — | (22,000) | (22,563) |

The components of benefit cost for the years ended February 28, 2011 and 2010 are as follows:

| | Pension | | Postretirement | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Service cost | $ 310,218 | 350,490 | 16,961 | 18,360 |
| Interest cost | 749,983 | 746,853 | 34,002 | 40,194 |
| Expected return on assets | (729,395) | (661,756) | — | — |
| Amortization of prior service cost | 23,277 | 23,277 | — | — |
| Recognized actuarial gain | — | — | (24,999) | (24,995) |
| Net benefit cost | $ 354,083 | 458,864 | 25,964 | 33,559 |

The amounts recognized in unrestricted net assets for the pension plan consist of the following as of February 28, 2011 and 2010:

| | 2011 | 2010 |
|---|---|---|
| Net actuarial loss | $ 754,730 | 400,169 |
| Prior service cost | 29,098 | 52,375 |
| | $ 783,828 | 452,544 |

The amounts recognized in unrestricted net assets for the postretirement plan consist of the following as of February 28, 2011 and 2010:

| | 2011 | 2010 |
|---|---|---|
| Net actuarial gain | $ 331,672 | 319,720 |

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, 2011 are as follows:

| | Pension | Postretirement | Total |
|---|---|---|---|
| Prior service cost | $ (23,277) | — | (23,277) |
| Net loss (gain) | 354,561 | (11,952) | 342,609 |
| Total recognized in change in unrestricted net assets | 331,284 | (11,952) | 319,332 |
| Net periodic benefit cost | 354,083 | 25,964 | 380,047 |
| Total recognized in change in unrestricted net assets and net periodic benefit cost | $ 685,367 | 14,012 | 699,379 |

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 |

The amounts expected to be recognized in net periodic pension and benefit costs during fiscal year 2012 are as follows:

| | | Pension | Postretirement |
|---|---|---|---|
| Cost recognition | $ | 23,277 | — |
| Gain recognition | | — | 27,992 |
| | $ | 23,277 | 27,992 |

The Fund expects to make a $450,000 contribution to its pension plan in fiscal year 2012.

The weighted average assumptions used to determine the components of benefit cost as of and for the years ended February 28, 2011 and 2010 were as follows:

| | Pension | | Postretirement | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Weighted average assumptions: | | | | |
| Discount rate | 5.40% | 5.78% | 5.40% | 5.78% |
| 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 |
|---|---|---|---|
| 2012 | $ | 663,027 | 45,650 |
| 2013 | | 757,230 | 43,564 |
| 2014 | | 753,149 | 41,556 |
| 2015 | | 778,273 | 39,572 |
| 2016 | | 930,332 | 40,717 |
| 5 years thereafter | | 4,708,322 | 200,819 |
| | $ | 8,590,333 | 411,878 |

The assets (expressed in percentages) for the pension plan consisted of the following as of February 28, 2011 and 2010:

| | 2011 | 2010 |
|---|---|---|
| Debt securities | 72% | 68% |
| Immediate participation guarantee contract, unallocated | 28 | 32 |
| | 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, 2011 and 2010, the Fund contributed $136,896 and $136,427, 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, 2011 and 2010, the Fund contributed $34,011 and $33,860, respectively, to this plan.

## (9) Commitments

In September 2010, the Fund entered into a lease for office facilities at 1411 Broadway, expiring in October 2025. The lease terms provide for a free rent period through October 2011 and tenant improvement allowances (TI allowance) in the amount of $2,045,228. Free rent period, TI allowance, and charges are accounted for on a straight-line basis over the life of the lease. The Fund's prior lease at 350 Fifth Avenue ended on March 31, 2011 and the space was returned and accepted by the landlord with no further obligation.

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, 2011, net of the applicable rent credits, for the fiscal years ending February 28 are as follows:

| | | |
|---|---|---|
| 2012 | $ | 1,080,330 |
| 2013 | | 1,077,330 |
| 2014 | | 1,064,330 |
| 2015 | | 1,064,330 |
| 2016 | | 1,064,330 |
| Thereafter | | 10,288,524 |
| | $ | 15,639,174 |

Rent expense for the years ended February 28, 2011 and 2010 amounted to $1,098,483 and $628,911, respectively, and a deferred rent obligation of $2,396,377 and $149,908, respectively, was recorded for the free rent period and tenant improvement allowance.

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, 2011 and 2010, the Fund had invested $2,100,000 of this commitment. For the years ended February 28, 2011 and 2010, the Fund received redemptions of $100,345 and $9,109, respectively.

## (10) Endowment Net Assets

In 2011, the Fund adopted New York Prudent Management of Institutional Funds Act (NYPMIFA). Accordingly, the Fund classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. ASC No. 958-205, *Not-for-Profit Entities*, requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure.

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, 2011 and 2010.

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, 2011 is as follows:

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|---|---|---|---|---|
| Board-designated quasi-endowment | $ 86,964,170 | — | — | 86,964,170 |
| Donor-restricted endowment | — | 18,115,032 | 1,157,440 | 19,272,472 |
| Total endowment | $ 86,964,170 | 18,115,032 | 1,157,440 | 106,236,642 |

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, 2011 are as follows:

| | Board-designated unrestricted | Temporarily restricted | Permanently restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 78,669,628 | 16,052,578 | 1,157,440 | 95,879,646 |
| Investment activity: | | | | |
| Interest and dividends | 898,222 | 218,526 | — | 1,116,748 |
| Realized gain on investments | 3,170,969 | 691,636 | — | 3,862,605 |
| Unrealized gain on investments | 9,225,828 | 2,012,292 | — | 11,238,120 |
| Spending rate applied to operations | (4,873,000) | (860,000) | — | (5,733,000) |
| Spending rate applied to pension | (192,000) | — | — | (192,000) |
| Other | 64,523 | — | — | 64,523 |
| Endowment net assets, end of year | $ 86,964,170 | 18,115,032 | 1,157,440 | 106,236,642 |



(Continued)

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 | 1,073,766 | 245,923 | — | 1,319,689 |
| 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) |
| 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 $366,947 and $630,103 in permanently restricted net assets for the years ended February 28, 2011 and 2010, 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:

| | 2011 | 2010 |
|---|---|---|
| Cash and short-term investments | 3% | 2% |
| Equities | 50 | 62 |
| Fixed income | 28 | 36 |
| Alternative investments | 1 | — |
| Other | 18 | — |
| | 100% | 100% |

For the years ended February 28, 2011 and 2010, the Fund received distributions from these trusts of $68,794 and $71,781, respectively.

**(12) Line of Credit**

In December 2010, the Fund entered into a one-year credit agreement of up to $3,300,000 to finance the cost of leasehold improvements for its new offices at 1411 Broadway. The agreement calls for revolver loan advances to and repayments by the Fund with interest at monthly LIBOR plus 1.4% and a commitment fee of 0.20% on the daily average unused amount of the commitment during the period of the agreement. Remaining balance at the end of the term, or earlier upon request, will convert to a 4-year term loan with interest using a corporate base rate or a fixed rate, to be negotiated at the time of conversion. As of February 28, 2011, the Fund had borrowed $1,700,000 and had paid interest in the amount of $1,306. The Fund is not and has not been in violation of any loan covenants through the date of this report.

In October 2010, the Fund renewed a $1,000,000 line of credit, which expires on October 29, 2011. 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, 2011 and 2010.

**(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, 2011 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 | $ 640,946 | — | — | 640,946 |
| Accrued income | 18,613 | — | — | 18,613 |
| Mutual funds – fixed income and bonds | 16,406,013 | — | — | 16,406,013 |
| Mutual funds – primarily U.S. equities | 8,090,245 | — | — | 8,090,245 |
| U.S. common stocks | 5,917,244 | — | — | 5,917,244 |
| International equities | 3,155,746 | — | — | 3,155,746 |
| Treasury inflation – protected securities | 2,061,177 | — | — | 2,061,177 |
| Limited partnerships/commingled funds: | | | | |
| Absolute return fund of funds | — | 15,302,763 | — | 15,302,763 |
| Real estate fund of funds | — | — | 963,475 | 963,475 |
| WTC common trust fund real estate portfolio | — | 9,094,510 | — | 9,094,510 |
| International value equity trust | — | 16,321,395 | — | 16,321,395 |
| Concentrated core equities fund | — | 9,455,343 | — | 9,455,343 |
| Investable emerging markets country fund | — | 7,526,600 | — | 7,526,600 |
| Equity hedge funds | — | — | 5,499,153 | 5,499,153 |
| International equity | — | 6,579,483 | — | 6,579,483 |
| Total investments | 36,289,984 | 64,280,094 | 6,462,628 | 107,032,706 |
| Beneficial interest in perpetual trusts | — | — | 3,617,251 | 3,617,251 |
| Pension plan assets: | | | | |
| Immediate participation guarantee contract | — | 3,673,605 | — | 3,673,605 |
| Bonds | 9,348,834 | — | — | 9,348,834 |
| Total assets carried at fair value | $ 45,638,818 | 67,953,699 | 10,079,879 | 123,672,396 |



(Continued)

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 | 40,727,910 | 18,885,596 | 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 | 44,736,598 | 22,135,900 | 112,164,463 |



(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, 2011:

| | | |
|---|---|---|
| Balance at February 28, 2010 | $ | 22,135,900 |
| Transferred to Level 2 (a) | | (13,671,832) |
| Purchases | | 1,021,806 |
| Redemptions | | (113,845) |
| Realized gain | | 29,255 |
| Unrealized gain | | 311,648 |
| Change in value of beneficial interest in perpetual trusts | | 366,947 |
| Balance at February 28, 2011 | $ | 10,079,879 |

(a) In January 2010, the Fund invested in an account which did not allow for any withdrawals in the first 12 months. This restriction expired in January 2011.

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 | | (8,487,008) |
| Purchases | | 13,772,872 |
| Redemptions | | (13,639,523) |
| Realized gain | | 2,225,347 |
| Unrealized loss | | 129,237 |
| Change in value of beneficial interest in perpetual trusts | | 630,103 |
| Balance at February 28, 2010 | $ | 22,135,900 |

## (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, 2011 and 2010, the Fund's cash and cash equivalents included cash and money market funds approximating $3,726,300 and $3,283,500, respectively, which are not covered by FDIC insurance.

## (15) Subsequent Events

In connection with the preparation of the financial statements, the Fund evaluated subsequent events after the balance sheet date of February 28, 2011 through July 11, 2011, which was the date the financial statements were available to be issued and determined that there were no matters that are required to be disclosed.