UNITED HOSPITAL FUND OF NEW YORK

Financial Statements

February 28, 2015 and 2014

(With Independent Auditors’ Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
United Hospital Fund of New York:

We have audited the accompanying financial statements of United Hospital Fund of New York as of February 28, 2015 and 2014, which comprise the statements of financial position as of February 28, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Hospital Fund of New York as of February 28, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

June 9, 2015

UNITED HOSPITAL FUND OF NEW YORK

Statements of Financial Position

February 28, 2015 and 2014

Assets		**2015**	**2014**
Cash and cash equivalents (note 12)	$	2,434,702	3,017,564
Grants and other receivables, net (note 3)		463,378	387,706
Other assets		939,223	913,278
Investments (notes 4, 8, and 11)		102,938,398	104,534,050
Property and equipment, net (note 5)		2,682,006	2,943,171
Beneficial interest in perpetual trusts (notes 6 and 10)		4,113,482	4,109,189
Total assets	$	113,571,189	115,904,958
Liabilities and Net Assets			
Liabilities:			
Accounts payable and other liabilities	$	783,065	925,714
Indebtedness		66,667	166,667
Deferred rent obligation (note 8)		2,676,706	2,774,752
Grant commitments (note 2j)		987,500	1,010,000
Accrued postretirement benefits (note 7)		872,861	787,126
Total liabilities		5,386,799	5,664,259
Net assets:			
Unrestricted (note 9)		81,972,249	84,307,584
Temporarily restricted (notes 6 and 9)		20,841,219	20,566,486
Permanently restricted (notes 6 and 9)		5,370,922	5,366,629
Total net assets		108,184,390	110,240,699
Total liabilities and net assets	$	113,571,189	115,904,958

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statements of Activities

Years ended February 28, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues and support:								
Public support:								
Foundation grants	$ —	485,000	—	485,000	—	694,627	—	694,627
Government and exchange contracts	813,028	—	—	813,028	1,078,589	—	—	1,078,589
Legacies	—	—	—	—	331	—	—	331
Contributions	366,195	—	—	366,195	359,378	—	—	359,378
Sandy Relief contributions	—	—	—	—	—	28,442	—	28,442
Special events (net of direct expenses of $370,027 in 2015 and $371,499 in 2014)	1,973,397	—	—	1,973,397	2,105,701	—	—	2,105,701
Total public support	3,152,620	485,000	—	3,637,620	3,543,999	723,069	—	4,267,068
Other revenues:								
Conferences and other	66,939	—	—	66,939	91,257	—	—	91,257
Investment return designated for current operations (notes 4 and 9)	6,583,228	—	—	6,583,228	5,470,000	—	—	5,470,000
Other investment income	188,162	—	—	188,162	73,969	—	—	73,969
Total other revenues	6,838,329	—	—	6,838,329	5,635,226	—	—	5,635,226
Net assets released from restrictions	807,773	(807,773)	—	—	2,317,883	(2,317,883)	—	—
Total operating revenues and support	10,798,722	(322,773)	—	10,475,949	11,497,108	(1,594,814)	—	9,902,294
Operating expenses:								
Program services:								
Grants	922,000	—	—	922,000	936,576	—	—	936,576
Sandy Relief grants	—	—	—	—	28,442	—	—	28,442
Health services research, policy analysis, and education	5,142,270	—	—	5,142,270	5,641,814	—	—	5,641,814
Publications and information services	1,298,273	—	—	1,298,273	1,268,843	—	—	1,268,843
Total program services	7,362,543	—	—	7,362,543	7,875,675	—	—	7,875,675
Supporting services:								
Administrative and general	2,602,791	—	—	2,602,791	2,700,362	—	—	2,700,362
Fundraising	820,084	—	—	820,084	876,118	—	—	876,118
Total supporting services	3,422,875	—	—	3,422,875	3,576,480	—	—	3,576,480
Total operating expenses	10,785,418	—	—	10,785,418	11,452,155	—	—	11,452,155
Change in net assets from operations	13,304	(322,773)	—	(309,469)	44,953	(1,594,814)	—	(1,549,861)
Nonoperating activities and support:								
Investment return (less than) more than amounts designated for current operations (notes 4 and 9)	(2,194,291)	597,506	—	(1,596,785)	4,054,596	1,309,114	—	5,363,710
Investment fees	(116,395)	—	—	(116,395)	(123,717)	—	—	(123,717)
Postretirement related changes other than net periodic postretirement cost (note 7)	(36,178)	—	—	(36,178)	(59,862)	—	—	(59,862)
Change in value of beneficial interest in perpetual trusts (note 10)	—	—	4,293	4,293	—	—	387,979	387,979
Tax expense from unrelated business income	(1,775)	—	—	(1,775)	(1,014)	—	—	(1,014)
Change in net assets from nonoperating activities and support	(2,348,639)	597,506	4,293	(1,746,840)	3,870,003	1,309,114	387,979	5,567,096
Change in total net assets	(2,335,335)	274,733	4,293	(2,056,309)	3,914,956	(285,700)	387,979	4,017,235
Net assets at beginning of year	84,307,584	20,566,486	5,366,629	110,240,699	80,392,628	20,852,186	4,978,650	106,223,464
Net assets at end of year	$ 81,972,249	20,841,219	5,370,922	108,184,390	84,307,584	20,566,486	5,366,629	110,240,699

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statements of Cash Flows

Years ended February 28, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ (2,056,309)	4,017,235
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	317,617	318,981
Realized and unrealized gains on investments	(3,020,550)	(9,236,792)
Accrued investment fees	57,449	—
Change in value of beneficial interest in perpetual trusts	(4,293)	(387,979)
Net change in assets and liabilities:		
Grants and other receivables, net	(75,672)	136,458
Other assets	(25,945)	(69,471)
Accounts payable and other liabilities, and deferred rent obligation	(240,695)	(135,139)
Pension benefit liability	—	(1,863,202)
Grant commitments	(22,500)	(58,500)
Accrued postretirement benefits	85,735	66,461
Net cash used in operating activities	(4,985,163)	(7,211,948)
Cash flows from investing activities:		
Purchases of property and equipment	(56,452)	(58,711)
Purchases of investments	(92,656,196)	(5,517,301)
Proceeds from sales of investments	97,214,949	11,393,308
Net cash provided by investing activities	4,502,301	5,817,296
Cash flows from financing activity:		
Repayment of debt instruments	(100,000)	(100,000)
Net cash used in financing activity	(100,000)	(100,000)
Net decrease in cash and cash equivalents	(582,862)	(1,494,652)
Cash and cash equivalents, beginning of year	3,017,564	4,512,216
Cash and cash equivalents, end of year	$ 2,434,702	3,017,564
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes	$ 1,775	1,014
Cash paid for interest on debt instruments	1,941	3,628

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statement of Functional Expenses

Year ended February 28, 2015

	Program services				Supporting services			
	Grants	Health services research, policy analysis, and education	Publications and information services	Total program services	Administrative and general	Fundraising	Total supporting services	Total
Salaries and benefits:								
Salaries	$ —	2,784,886	731,162	3,516,048	1,351,501	406,163	1,757,664	5,273,712
Benefits (note 7)	—	902,132	228,708	1,130,840	419,997	131,576	551,573	1,682,413
Total salaries and benefits	—	3,687,018	959,870	4,646,888	1,771,498	537,739	2,309,237	6,956,125
Grants	922,000	—	—	922,000	—	—	—	922,000
Other expenses:								
Consulting and professional fees	—	396,218	36,467	432,685	169,135	23,203	192,338	625,023
Occupancy costs (note 8)	—	773,440	179,442	952,882	518,258	119,323	637,581	1,590,463
Conference costs	—	78,080	1,375	79,455	27,114	18,820	45,934	125,389
Printing costs	—	14,153	50,489	64,642	1,257	63,297	64,554	129,196
Other	—	193,361	70,630	263,991	115,529	57,702	173,231	437,222
Total other expenses	—	1,455,252	338,403	1,793,655	831,293	282,345	1,113,638	2,907,293
Total operating expenses	$ 922,000	5,142,270	1,298,273	7,362,543	2,602,791	820,084	3,422,875	10,785,418
Special events								370,027
Total expenses								$ 11,155,445

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statement of Functional Expenses

Year ended February 28, 2014

	Program services				Supporting services			
	Grants	Health services research, policy analysis, and education	Publications and information services	Total program services	Administrative and general	Fundraising	Total supporting services	Total
Salaries and benefits:								
Salaries	$ —	2,716,668	659,364	3,376,032	1,346,961	421,533	1,768,494	5,144,526
Benefits (note 7)	—	912,539	221,209	1,133,748	452,045	141,827	593,872	1,727,620
Total salaries and benefits	—	3,629,207	880,573	4,509,780	1,799,006	563,360	2,362,366	6,872,146
Grants	936,576	—	—	936,576	—	—	—	936,576
Sandy Relief grants	28,442	—	—	28,442	—	—	—	28,442
Other expenses:								
Consulting and professional fees	—	862,999	68,278	931,277	256,140	27,314	283,454	1,214,731
Occupancy costs (note 8)	—	799,654	187,659	987,313	522,003	125,735	647,738	1,635,051
Conference costs	—	124,059	2,297	126,356	12,152	17,335	29,487	155,843
Printing costs	—	14,395	58,814	73,209	97	73,610	73,707	146,916
Other	—	211,500	71,222	282,722	110,964	68,764	179,728	462,450
Total other expenses	—	2,012,607	388,270	2,400,877	901,356	312,758	1,214,114	3,614,991
Total operating expenses	$ 965,018	5,641,814	1,268,843	7,875,675	2,700,362	876,118	3,576,480	11,452,155
Special events								371,499
Total expenses								$ 11,823,654

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:

- Achieve improvements in safety and quality of care for hospitalized patients;
- Link health care and community resources to meet rising chronic care needs of seniors;
- Involve and support family caregivers as essential members of the health care team;
- Strengthen the operation of New York's Medicaid program, to improve care and reduce costs, with a special focus on high-cost, high-need patients;
- Maximize affordable insurance coverage through the design and implementation of New York's health insurance exchange.

The Fund's approach to innovation and improvement 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 (GAAP).

(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 that the board of directors (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 unrestricted 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 (less than) the Fund’s authorized spending policy, postretirement related changes other than net periodic cost, change in value of beneficial interest in perpetual trusts, and other nonrecurring activities are recognized as nonoperating activities and support.

(d) 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.

Alternative investments consist of shares or units in investment funds as opposed to direct interests in the funds’ underlying holdings, which may be marketable. The net asset value reported by each fund is used as a practical expedient to estimate fair value of the Fund’s interest therein. 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.

The Fund early adopted Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is

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measured using the net asset value per share practical expedient and removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient.

(e) Contributions and Grants

Grants and contributions are evaluated as to whether they qualify as exchange transactions or contributions as defined by GAAP. Grants and contributions that are treated as exchange transactions are reported as unrestricted revenue when expenses are incurred in accordance with the terms of the agreement.

Contributions and grants, which include unconditional promises to give, are recognized initially at fair value as revenues in the period received. The inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. 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.

(f) Legacies

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

(g) 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.

(h) 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.

In October 2014, the Board elected to contract with an outsourced chief investment officer (OCIO) to manage its investments. As noted in the agreement, the OCIO will serve as the Fund’s discretionary investment advisor, charged with investing in accordance with and abiding by the Fund’s investment policy and guidelines. At the end of December 2014 and into January 2015, the Fund liquidated and

(Continued)

transferred most of its assets to a new custodian, which were then available to be invested by the Fund's OCIO. The Fund's approved spending needs will be provided for each year. Additional withdrawals can be requested with 100 days' written notice, which will be paid on the last business day of the calendar quarter in which the notice applies, except that the Fund is precluded from requesting additional withdrawals prior to the first anniversary of the initial investment.

(i) 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.

(j) 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 approves them. Unless material, the Fund does not discount to present value commitments to be paid later than one year. Grant commitments of $987,500 and $1,010,000 as of February 28, 2015 and 2014, respectively, are payable within one year.

(k) 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. GAAP requires, 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. The estimated fair value, however, involves unobservable inputs considered to be Level 3 in the fair value hierarchy. 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.

(l) Board Spending Policy

The Fund maintains an investment pool for certain investments. The Board 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, 2015 and 2014 was 5.5% of a 36-month trailing moving average. In February 2014, the Board authorized an additional draw of 1.5%, or approximately $5 million over 3 fiscal years, 2015, 2016 and 2017, to be used for specified purposes as approved by the Board for each year's budget, and as reported to the board at interim periods during the year. Certain endowment gifts are restricted for specific purposes, the income from which, included in the spending rate, is spent in accordance with those restrictions.

(m) 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.

(n) Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

(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, 2015 and 2014.

(p) Reclassifications

Certain reclassifications of 2014 amounts have been made to conform to the 2015 presentation.

(3) Grants and Other Receivables

Grants and other receivables balances at February 28, 2015 and 2014 were $463,378 and $387,706, respectively, which are expected to be collected within one year.

(4) Investments

Investments consisted of the following as of February 28:

		February 28, 2015	
Held at financial institutions:			
Cash and short-term investments	$	2,737,237	
Receivable pending final distribution		1,728,531	
Mutual funds – equity directional/equity generalist		15,795,009	A
Mutual funds – REIT directional		2,089,485	H
		22,350,262	
Alternative investments (fair value estimated using the net asset value per share):			
Equity directional/equity generalist		42,311,946	A
Equity hedged/equity generalist		2,558,519	B
Event driven/activist		11,235,425	C
Event driven/multi-strategy		1,565,600	D
Credit directional/sovereign bonds		9,461,516	E
Credit directional/distressed credit		3,570,591	F
Credit hedged/multi-sector credit		2,542,943	G
REIT directional		2,589,877	H
Commodity directional		4,512,977	I
Private real assets		238,742	J
		80,588,136	
	$	102,938,398	

A Equity Directional/Equity Generalist includes private funds and mutual funds that pursue long-biased, generally actively managed strategies that seek to generate excess returns relative to the market primarily through capital growth. Funds included in this category invest regionally or globally in listed equity securities.

B Equity Hedged/Equity Generalist includes private funds that employ fundamental research to invest in equity securities both long and short across multiple sectors. Portfolios are often constructed to have low beta to the broader equity markets.

C Event Driven/Activist includes private funds which pursue strategies to obtain or attempt to obtain representation of a portfolio company's board of directors in an effort to impact the firm's policies or strategic direction. Activist strategies are distinguished from other event driven strategies in that, over a given market cycle, activist strategies would expect to have greater than 50% of the portfolio in activist positions.

D Event-Driven/Multi-Strategy includes private funds which maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including mergers, restructurings, shareholder buybacks and distressed situations. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.

E Credit Directional/Sovereign Bonds includes private funds that pursue long-biased investment strategies that identify relative value among sovereign debt and currencies on a global basis.

F Credit Directional/Distressed Credit includes private funds which employ an investment process focused on corporate fixed income instruments, primarily those trading at significant discounts to their par value. Managers typically employ fundamental credit analysis to evaluate the likelihood of an improvement in the issuer's creditworthiness.

G Credit Hedged/Multi-Sector Credit includes private funds that pursue investment strategies in which the investment thesis is predicated on realization of a spread between related instruments in which one or multiple components of the spread is a corporate fixed income instrument. Strategies will also trade opportunistically at times. Instruments used include convertible bonds, stressed and distressed credit, high yield debt, junior financials, warrants, event driven credit and credit derivatives.

H REIT Directional includes private funds and mutual funds that pursue long-biased, actively managed strategies that seek to generate excess returns relative to the market through growth of capital and current income. The funds included in this category invest globally in the listed real estate markets.

I Commodity Directional includes private funds that pursue actively managed, long-biased investment strategies in the commodity markets, including energy, agriculture and metals and mining. These funds can also invest in commodity-related equities.

J Private Real Assets includes a private fund of funds that invests in real estate managers pursuing traditional commercial property strategies. This fund may have up to 20% invested internationally.

		February 28, 2014	
Held at financial institutions:			
Cash and short-term investments	$	296,699	
Accrued income		11,511	
Mutual funds – fixed income and bonds		17,995,065	
Mutual funds – primarily U.S. equities		9,062,896	
U.S. common stocks		7,174,687	
International equities		1,272,833	
Treasury inflation – protected securities		832,562	EE
		36,646,253	
Alternative investments (fair value estimated using the net asset value per share):			
Absolute return fund of funds		11,795,235	AA
Real estate fund of funds		648,089	DD
WTC common trust fund real asset portfolio		7,920,138	BB
International value equity trust		13,482,623	CC
Select equities fund		9,292,519	II
Emerging markets investable fund		5,796,375	FF
Equity hedge fund		11,211,316	GG
International equity fund		7,741,502	HH
		67,887,797	
	$	104,534,050	

AA Absolute Return Fund of Funds is an investment in an exempted company with limited liability incorporated in the Cayman Islands. The Fund of Funds manager invests primarily in a diversified group of managers employing investment strategies relating to long equity positions, arbitrage opportunities, bankruptcies and reorganizations, international and emerging markets, commodities, futures and fixed income trading.

BB 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.

CC 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.

DD 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.

EE 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.

FF The Emerging Markets Investable 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.

GG 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.

HH The International Equity Fund is a comingled fund comprising investments in international companies considered to have a competitive advantage and that are growth oriented. Risk is managed through diversification across dimensions of geography, industry sector, currency, and size. Foreign currency exposure is not routinely hedged.

II The Select Equities Fund invests primarily in equity securities of mid and large capitalization companies. The Fund seeks to achieve superior long-term returns over a full market cycle by owning shares of companies considered to have strong and enduring business models and inherent advantages over their competitors.

As of February 28, 2015, the following table summarizes the composition of $102,938,398 at fair value of investments by the various redemption provisions and lock-up periods:

Redemption period	**Amount**
Daily	$ 24,148,513
Weekly up to 5 days' notice	2,464,160
Monthly up to 90 days' notice	46,735,751
Quarterly up to 90 days' notice	12,783,323
Lock-up	16,806,651
Total	$ 102,938,398

The amount subject to redemption lock-up of $14,071,201 is set to expire in fiscal year 2016 and $2,735,450 is set to expire in fiscal year 2018.

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

	February 28, 2015			February 28, 2014		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Dividends and interest (net of investment and advisory fees of $331,213 in 2015 and $298,204 in 2014)	$ 1,323,131	642,762	1,965,893	1,303,981	292,937	1,596,918
Net appreciation in fair value of investments	1,970,809	1,049,741	3,020,550	7,400,115	1,836,677	9,236,792
	3,293,940	1,692,503	4,986,443	8,704,096	2,129,614	10,833,710
Spending rate allocated for current operations	1,094,997	(1,094,997)	—	820,500	(820,500)	—
	4,388,937	597,506	4,986,443	9,524,596	1,309,114	10,833,710
Investment return designated for current operations	(6,583,228)	—	(6,583,228)	(5,470,000)	—	(5,470,000)
Investment return (less than) more than amounts designated for current operations	$ (2,194,291)	597,506	(1,596,785)	4,054,596	1,309,114	5,363,710

(5) Property and Equipment

Property and equipment consisted of the following as of February 28, 2015 and 2014:

	February 28	
	2015	2014
Property	$ 630,493	610,356
Leasehold improvements	2,804,212	2,804,212
Furniture and office equipment	966,088	929,773
	4,400,793	4,344,341
Accumulated depreciation and amortization	(1,718,787)	(1,401,170)
Total	$ 2,682,006	2,943,171

(6) Restricted Net Assets

Net assets were restricted for the following purposes as of February 28, 2015 and 2014:

		February 28 2015	February 28 2014
Temporarily restricted net assets to support:			
Program initiatives	$	20,090,891	19,493,385
Program grants restricted by:			
Purpose		550,328	573,474
Time		200,000	499,627
	$	20,841,219	20,566,486

		February 28 2015	February 28 2014
Permanently restricted net assets:			
Investments to be held in perpetuity, the income from which is temporarily restricted to support directed distribution	$	1,257,440	1,257,440
Beneficial interest in perpetual trusts, the income from which is unrestricted		4,113,482	4,109,189
	$	5,370,922	5,366,629

(7) Postretirement Benefit Plans

The Fund 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 65 and after 5 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 postretirement benefit obligations and the funded status of the plan as of February 28, 2015 and 2014 are as follows:

		February 28	
		2015	**2014**
Change in benefit obligation:			
Benefit obligation, beginning of year	$	787,126	720,665
Service cost		44,618	15,736
Interest cost		32,741	26,521
Actuarial loss		29,838	48,582
Benefits paid		(21,462)	(24,378)
Benefit obligation, end of year		872,861	787,126
Funded status	$	(872,861)	(787,126)
Accumulated benefit obligation	$	872,861	787,126
Employer contributions		(21,462)	(24,378)
Recognized actuarial gain		(6,340)	(11,280)

The amounts not yet recognized as a component of changes other than net periodic postretirement cost recognized in unrestricted net assets for the postretirement plan consist of a net actuarial gain of $131,797 and $167,975 as of February 28, 2015 and 2014, respectively.

Other changes in benefit obligations recognized in the change in unrestricted net assets for the postretirement plan are as follows:

		February 28	
		2015	**2014**
Net loss	$	36,178	59,862
Total recognized in change in unrestricted net assets		36,178	59,862
Net periodic benefit cost		71,019	30,977
Total recognized in change in unrestricted net assets and net periodic benefit	$	107,197	90,839

The following benefit payments are expected to be paid as follows:

2016	$	42,003
2017		42,828
2018		46,851
2019		47,902
2020		48,525
2021 to 2025		248,023
	$	476,132

The amount expected to be recognized in net periodic benefit cost is a gain of $2,853 during fiscal year 2016.

The weighted average assumptions used to determine the components of benefit cost as of and for the years ended February 28, 2015 and 2014 were 3.54% and 4.27%, respectively.

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 and allows for a discretionary employer contribution of 4% to 8% based on years of service. For the years ended February 28, 2015 and 2014, the Fund contributed $421,747 and $423,312, 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, 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, 2015 and 2014, the Fund contributed $37,500 and $32,500, respectively, to this plan.

(8) Commitments

In September 2010, the Fund entered into a lease for office facilities at 1411 Broadway, expiring in October 2025. The lease terms provided 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.

In January 2013, the Fund entered into a lease for office facilities in Albany. The lease expires in December 2017.

(Continued)

Future minimum lease payments as of February 28, 2015, net of the applicable rent credits, for the fiscal years ending February 28 are as follows:

2016	$	1,080,360
2017		1,080,360
2018		1,077,688
2019		1,064,330
2020		1,064,330
Thereafter		6,031,204
	$	11,398,272

Rent expense for the years ended February 28, 2015 and 2014 amounted to $1,080,360 in each year and a deferred rent obligation of $2,676,706 and $2,774,752, respectively, is the liability for the free rent period and TI 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, 2015 and 2014, the Fund had invested $2,145,545 of this commitment. For the years ended February 28, 2015 and 2014, the Fund received redemptions of $457,755 and $266,289, respectively. Cumulative redemptions to date are $2,766,358 and $2,308,603 at February 28, 2015 and 2014, respectively.

In January 2015, the Fund renewed a $1,000,000 line of credit, which expires on December 30, 2015. Borrowings are unsecured and interest is charged at the bank's prime rate. There were no amounts outstanding under this agreement during the years or at February 28, 2015 and 2014.

(9) Endowment Net Assets

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. The portion of a donor-restricted endowment fund that is not classified as permanently restricted is classified as temporarily restricted net assets until appropriated for expenditure.

The policy for valuing the Fund's investments is described in note 2(h). In accordance with GAAP, 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, 2015 and 2014.

The Fund's endowment investment policy states the Fund is to invest primarily in a mix of equities, alternative investments, private equity 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 long-term real purchasing power of the Fund's invested assets, prudently invest assets in high-quality, diversified vehicles, and achieve the optimal return possible within specified risk parameters. The Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and from income (interest, dividends and rent). The Fund's annual spending rate from endowment, described in note 2(l), 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 preserve the long-term real purchasing power of the endowment while providing a relatively predictable and stable stream of annual distributions in support of the Fund's appending requirements.

The composition of the endowment net assets at February 28, 2015 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Board-designated quasi-endowment	$ 81,590,067	—	—	81,590,067
Donor-restricted endowment	—	20,090,891	1,257,440	21,348,331
Total endowment	$ 81,590,067	20,090,891	1,257,440	102,938,398

The composition of the endowment net assets at February 28, 2014 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Board-designated quasi-endowment	$ 83,783,225	—	—	83,783,225
Donor-restricted endowment	—	19,493,385	1,257,440	20,750,825
Total endowment	$ 83,783,225	19,493,385	1,257,440	104,534,050

Changes in endowment net assets for the year ended February 28, 2015 are as follows:

	Board-designated unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 83,783,225	19,493,385	1,257,440	104,534,050
Investment activity:				
Interest and dividends, net	1,323,131	642,762	—	1,965,893
Net appreciation on investments	1,970,809	1,049,741	—	3,020,550
Other	1,133	—	—	1,133
Spending rate applied to operations	(5,488,231)	(1,094,997)	—	(6,583,228)
Endowment net assets, end of year	$ 81,590,067	20,090,891	1,257,440	102,938,398

Changes in endowment net assets for the year ended February 28, 2014 are as follows:

	Board-designated unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 81,731,554	18,184,271	1,257,440	101,173,265
Investment activity:				
Interest and dividends, net	1,303,981	292,937	—	1,596,918
Net appreciation on investments	7,400,115	1,836,677	—	9,236,792
Approved transfer out (pension funding)	(2,002,925)	—	—	(2,002,925)
Spending rate applied to operations	(4,649,500)	(820,500)	—	(5,470,000)
Endowment net assets, end of year	$ 83,783,225	19,493,385	1,257,440	104,534,050

(10) Beneficial Interest in Perpetual Trusts

The Fund has recorded an increase of $4,293 and $387,979 in permanently restricted net assets for the years ended February 28, 2015 and 2014, 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:

	February 28	
	2015	2014
Cash and short-term investments	4%	5%
Equities	72	62
Fixed income	13	23
Alternative investments	11	10
	100%	100%

For the years ended February 28, 2015 and 2014, the Fund received distributions from these trusts of $184,171 and $73,722, respectively.

(11) 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.

Alternative Investments – 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. The estimated fair values, however, involve unobservable inputs considered to be Level 3 in the fair value hierarchy.

Investments carried at fair value at February 28, 2015 are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and short-term investments	$ 2,737,237	—	—	2,737,237
Receivable pending final distribution	1,728,531	—	—	1,728,531
Mutual funds – equity directional/ equity generalist	15,795,009	—	—	15,795,009
Mutual funds – REIT directional	2,089,485	—	—	2,089,485
	$ 22,350,262	—	—	22,350,262
Investments measured at net asset value				80,588,136
Total investments				$ 102,938,398

Investments carried at fair value at February 28, 2014 are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and short-term investments	$ 296,699	—	—	296,699
Accrued income	11,511	—	—	11,511
Mutual funds – fixed income and bonds	17,995,065	—	—	17,995,065
Mutual funds – primarily U.S. equities	9,062,896	—	—	9,062,896
U.S. common stocks	7,174,687	—	—	7,174,687
International equities	1,272,833	—	—	1,272,833
Treasury inflation – protected securities	832,562	—	—	832,562
	$ 36,646,253	—	—	36,646,253
Investments measured at net asset value				67,887,797
Total investments				$ 104,534,050

(12) 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 of $250,000 per financial institution. As of February 28, 2015 and 2014, the Fund's cash and cash equivalents included cash and money market funds approximating $2,183,202 and $2,764,804, respectively, which are not covered by FDIC insurance.

(13) Subsequent Events

In connection with the preparation of the financial statements, the Fund evaluated subsequent events after the balance sheet date of February 28, 2015 through June 9, 2015, 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.