Consolidated Financial Statements Together with
Report of Independent Certified Public Accountants

AMERICAN FRIENDS OF THE HEBREW UNIVERSITY, INC.

September 30, 2015

AMERICAN FRIENDS OF THE HEBREW UNIVERSITY, INC.

TABLE OF CONTENTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
American Friends of the Hebrew University, Inc.

We have audited the accompanying consolidated financial statements of American Friends of the Hebrew University, Inc. (the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2015 and 2014, and the related consolidated statements of activities and cash flows 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Friends of the Hebrew University, Inc. as of September 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 2014 summarized comparative information

We have previously audited the Organization's 2014 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 4, 2015. In our opinion, the accompanying summarized comparative information as of and for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

New York, New York
March 29, 2016

AMERICAN FRIENDS OF THE HEBREW UNIVERSITY, INC.
Consolidated Statements of Financial Position
As of September 30, 2015 and 2014
(in thousands)

ASSETS	**2015**	**2014**
CURRENT ASSETS		
Cash and cash equivalents	$ 8,538	$ 8,537
Contributions receivable, net, current portion	7,398	7,926
State of Israel Bonds, current portion	114	32
Investments in split-interest agreements, current portion	1,655	1,430
Interest receivable and other assets	1,002	429
Total current assets	18,707	18,354
LONG-TERM ASSETS		
Contributions receivable, net, less current portion	16,090	15,779
Marketable securities and other investments	486,217	520,981
Investments in split-interest agreements, less current portion	18,297	17,035
State of Israel Bonds, less current portion	2,357	2,445
Real estate holdings	2,865	2,865
Assets of trusts and other split-interest agreements held by others	27,824	29,923
Property and equipment, net	243	319
Other long-term assets	311	296
Total long-term assets	554,204	589,643
Total assets	$ 572,911	$ 607,997
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,395	$ 1,526
Liability under split-interest agreements, current portion	1,655	1,430
Due to Hebrew University	29,908	27,794
Total current liabilities	32,958	30,750
LONG-TERM LIABILITIES		
Liability under split-interest agreements, less current portion	9,936	8,461
Other long-term liabilities	774	567
Total long-term liabilities	10,710	9,028
Total liabilities	43,668	39,778
NET ASSETS		
Unrestricted	3,296	5,084
Temporarily restricted	184,836	225,615
Permanently restricted	341,111	337,520
Total net assets	529,243	568,219
Total liabilities and net assets	$ 572,911	$ 607,997

The accompanying notes are an integral part of these statements.

AMERICAN FRIENDS OF THE HEBREW UNIVERSITY, INC.
Consolidated Statement of Activities
For the year ended September 30, 2015, with summarized comparative information for 2014
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
OPERATING SUPPORT AND REVENUE					
Support:					
Contributions	$ 5,469	$ 22,105	$ -	$ 27,574	$ 27,035
Legacies and bequests	1,738	2,279	-	4,017	2,906
Total support	7,207	24,384	-	31,591	29,941
Revenue:					
Investment return used for operations	293	24,500	-	24,793	25,247
Net assets released from restrictions	53,417	(53,417)	-	-	-
Total operating support and revenue	60,917	(4,533)	-	56,384	55,188
OPERATING EXPENSES					
Program services:					
Grants to Hebrew University (including endowment spending of $22,836 in 2015 and $23,924 in 2014)	48,154	-	-	48,154	49,921
Grants to other charitable and educational institutions in the United States and Israel	450	-	-	450	283
Total program services	48,604	-	-	48,604	50,204
Supporting services:					
Management and general expenses	4,114	-	-	4,114	4,172
Fund-raising	8,620	-	-	8,620	9,101
Total supporting services	12,734	-	-	12,734	13,273
Total operating expenses	61,338	-	-	61,338	63,477
Deficit of operating support and revenue over operating expenses	(421)	(4,533)	-	(4,954)	(8,289)
NONOPERATING ACTIVITIES					
Net investment return, in excess of amounts used for operations	(1,066)	(35,650)	-	(36,716)	26,843
Contributions	-	-	3,917	3,917	4,713
Legacies and bequests	-	-	1,762	1,762	932
Changes in value of split-interest agreements	-	(151)	(696)	(847)	223
Changes in assets of trusts and other split-interest agreements held by others	-	(1,970)	-	(1,970)	(3,798)
Net asset redesignations	(133)	1,525	(1,392)	-	-
Pension related expenses other than net periodic pension cost	(168)	-	-	(168)	(159)
Change in net assets	(1,788)	(40,779)	3,591	(38,976)	20,465
Net assets, beginning of year	5,084	225,615	337,520	568,219	547,754
Net assets, end of year	$ 3,296	$ 184,836	$ 341,111	$ 529,243	$ 568,219

The accompanying notes are an integral part of this statement.

AMERICAN FRIENDS OF THE HEBREW UNIVERSITY, INC.
Consolidated Statements of Cash Flows
For the years ended September 30, 2015 and 2014
(in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (38,976)	$ 20,465
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	136	232
Change in discount and allowance on contributions receivable	(419)	(193)
Net realized and unrealized losses (gains)	23,568	(41,966)
Noncash contribution of investments	(26)	(6)
Contributions to permanent endowment	(4,844)	(4,589)
Changes in assets and liabilities:		
Decrease in contributions receivable	636	2,538
(Increase) decrease in interest receivable and other assets	(588)	20
Increase in accounts payable and accrued liabilities	77	222
Increase in liability under split-interest agreements	1,700	2,127
Increase in amount due to Hebrew University	2,114	3,853
Net cash used in operating activities	(16,622)	(17,297)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	72,697	87,522
Purchases of investments	(63,548)	(78,243)
Capital acquisition for purchases of equipment	(60)	(233)
Increase in investments in split-interest agreements	(1,487)	(3,883)
Decrease in assets of trusts and other split-interest agreements held by others	2,099	4,060
Net cash provided by investing activities	9,701	9,223
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted endowment contributions	4,844	4,589
Proceeds of donated financial assets	2,078	1,383
Net cash provided by financing activities	6,922	5,972
Net increase (decrease) in cash and cash equivalents	1	(2,102)
Cash and cash equivalents, beginning of year	8,537	10,639
Cash and cash equivalents, end of year	$ 8,538	$ 8,537

The accompanying notes are an integral part of these statements.

1. NATURE OF OPERATIONS

The American Friends of the Hebrew University, Inc. (the "Organization") is an independent not-for-profit organization incorporated in New York in 1931. The primary goals of the Organization are to promote, encourage, aid and advance higher and secondary education, research and training in all branches of knowledge in Israel and elsewhere, and to aid in the maintenance and development of the Hebrew University of Jerusalem in the State of Israel (the "Hebrew University"). Grants awarded to Hebrew University include but are not limited to those for scholarships and fellowships, research, capital projects, faculty recruitment, and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis. Generally accepted accounting principles in the United States of America ("US GAAP") requires that unconditional promises to give (pledges) be recorded as receivables and revenues at estimated fair value within the appropriate net asset category in accordance with donor-imposed restrictions. US GAAP establishes standards for general purpose external financial statements of not-for-profit organizations, including a statement of financial position, a statement of activities and a statement of cash flows. US GAAP requires that resources be classified for accounting and reporting purposes into three net asset categories: permanently restricted net assets, temporarily restricted net assets and unrestricted net assets according to donor-imposed restrictions. The consolidated financial statements include the financial position, changes in net assets and cash flows of American Friends of the Hebrew University Charitable Common Fund, Inc., a corporation under the control of the Organization.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements as of and for the year ended September 30, 2014, from which the summarized information was derived.

Classification of Net Assets

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

<u>Permanently Restricted</u> - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of those assets permit the Organization to use all or part of the income earned on related investments for a specific purpose. These specific purposes include projects at the Hebrew University or other institutions for matters such as scholarships and fellowships, research, capital projects, faculty recruitment, and equipment.

<u>Temporarily Restricted</u> - Net assets subject to donor-imposed stipulations, including net appreciation on permanently restricted endowment funds, that may or will be met by actions of the Organization or the passage of time. Temporarily restricted net assets consist of those net assets subject to donor-imposed restrictions for projects of the American Friends of the Hebrew University, Inc. at the Hebrew University or other institutions for matters such as scholarships and fellowships, research, capital projects, faculty recruitment, and equipment.

Unrestricted - Net assets not subject to donor-imposed stipulations. Unrestricted net assets are available for the support of the Organization's operations.

Net assets were released from donor restrictions for the years ended September 30, 2015 and 2014 by incurring expenses satisfying the restrictions, through the passage of time or by occurrence of other events specified by donors. The purpose restrictions that were accomplished were primarily for scholarships and fellowships, research, capital projects, chairs, and other projects at the Hebrew University.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as a release from restriction.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions other than cash are recorded at their estimated fair value. Pledges of contributions to be received after one year are discounted at an appropriate discount rate. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. The allowance for doubtful accounts is determined based upon annual review of account balances, including age of the balance and historical collection experience.

Through the fiscal year ended September 30, 2015, four donors signed agreements indicating intentions to make contributions totaling $2.1 million to be paid to the Organization over periods ranging from five to ten years. Although management is confident regarding receipt of the entire $2.1 million, since the agreements include conditional language, the related revenues cannot within the framework of US GAAP be recognized in the Organization's consolidated financial statements, except to the extent of $1.2 million, the amount for which the conditions have been met through September 30, 2015.

Not reflected on the consolidated financial statements are testamentary bequests of approximately $20,870,000 and $23,110,000 as of September 30, 2015 and 2014, respectively (unaudited), without evaluation as to collectability. Such amounts have not been recorded because individuals making such bequests retain the right to modify their wills and change the beneficiaries.

Not reflected on the consolidated financial statements are contributions by US donors and estates made directly to Hebrew University of approximately $8,547,000 and $4,569,000 for the years ended September 30, 2015 and 2014, respectively (unaudited), resulting from the Organization's fundraising and marketing efforts.

Investments

Fair value is 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 on the measurement date. As required by US GAAP for fair value measurement, the Organization uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at the NAV at the statement of financial position date or in the near term, which is generally considered to be within 90 days.

Level 3 - Securities that have little to no observable pricing. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV at the statement of financial position date or in the near term or for which redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the Organization. The Organization considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Organization’s perceived risk of that instrument.

Investments in marketable securities are stated at fair value based on quoted market prices. Refer to Note 5 for marketable securities classified within the fair value hierarchy. State of Israel Bonds are generally stated at cost, which approximates fair value.

Purchases and sales of securities are recorded on a trade date basis. Cost of investments represents original cost for purchased securities or average market value at the date of receipt for contributed securities. Realized gains and losses on investments in securities are calculated based on the average cost method and are reflected in the accompanying consolidated statement of activities. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis. Investments in real estate are recorded at appraised value at date of donation. A majority of the Organization’s investments are held in custody by Northern Trust Corporation.

Alternative investments include investments in limited partnership funds (hedge funds and private equity of nonregistered funds). Alternative investment interests are stated at fair value based on financial statements and other information received from the funds. Fair value is the estimated net realizable value of holdings priced at quoted market value (where market quotations are available), historical cost or other estimates including appraisals. The Organization believes that the stated value of its alternative investments was a reasonable estimate of their fair value as of September 30, 2015 and 2014. However, alternative investments are not readily marketable and many alternative investments have underlying investments which do not have quoted market values. The estimated value is subject to uncertainty and could differ had a ready market existed. Such differences could be material to the valuation of some of the Organization's alternative investments. The amount of gain or loss associated with these investments is reflected in the accompanying consolidated financial statements.

Income on Investments

Income on investments is reported as increases in permanently restricted net assets if the terms of the gift require that the income be added to the principal of a permanent endowment fund and as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income. Realized and unrealized gains or losses on investments are reported in accordance with donor wishes and, if silent, those respective gains or losses are recorded in the same net asset classification as interest and dividends.

Cash and Cash Equivalents

For purposes of the consolidated financial statements, the Organization considers all highly liquid debt instruments with original maturity dates of three months or less to be cash equivalents. Although cash balances are maintained in large financial institutions, the balances at times exceed federally insured amounts.

Fixed Assets

Fixed assets consist of leasehold improvements, furniture and equipment and are recorded at cost. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Amortization of leasehold improvements is also recorded using the straight-line method over the life of the lease, which is 11 years, and is the lower of the useful life or the lease term.

Grants

All appropriations for grants to Hebrew University are recorded as an expense and liability. All new grants are approved by the Organization's Board of Directors annually.

As of September 30, 2015 and 2014, there are amounts disputed by the Hebrew University related to overhead chargebacks with a cumulative value of $4,459,000 for both fiscal years. Management believes that such amounts were correctly and properly charged to the University. As such, they did not adjust the amounts in the accompanying consolidated statements of financial position and statements of activities as of and for the years ended September 30, 2015 and 2014.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires the Organization's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant assumptions relate to the realization of pledges receivable and the carrying value of investments. Actual results could differ from those estimates.

New Accounting Standard

ASC Topic 820, Fair Value Measurements, permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using a net asset value ("NAV") per share of the investment, or its equivalent. In May 2015, the FASB issued Accounting Standards Update ("ASU") 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent),* which removes the requirement to categorize with the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The amendments in this update are effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The reporting entity is required upon adoption to apply the amendments retrospectively to all periods presented.

The Organization adopted ASU 2015-07 effective October 1, 2014 and has applied the amendments retroactively for all periods presented. This new guidance only amended disclosure requirements and did not have any impact on the Organization's financial statements as a result of adoption.

Income Taxes

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can be recognized in the consolidated financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without the regard to the likelihood that the tax position may be challenged.

The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The tax years ended September 30, 2012, 2013, 2014 and 2015 are still open to audit for both federal and state purposes. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

Measure of Operations

Included in operating net assets are resources used for the general support of the Organization's operations, including investment return appropriated for expenditure under the spending policy.

Non-operating activities include: (1) investment return, in excess of amounts used for operations, (2) contributions, legacies and bequests for restricted split-interest agreements and endowment purposes, (3) changes in value of restricted split-interest agreements, (4) pension related activities other than net periodic pension cost, and (5) other items considered to be unusual or nonrecurring in nature.

Underwater Endowment Funds

As of September 30, 2015 and 2014, 26 and 3 individual named endowment funds had estimated fair values that aggregated $451,301 and $12,000 less than their permanently restricted historical dollar value. This was the result of aggregated declines in financial markets since the endowment funds were established. Endowments with fair value less than their permanently restricted historic dollar value are often referred to as "underwater" endowments. Though the Organization is not required by donor-imposed restriction or law to use its unrestricted resources to restore the endowments to their historic dollar values, accounting guidance for not-for-profit organizations requires that such losses and subsequent gains be reflected as changes to unrestricted net assets until the fair values of these underwater endowments again reach their historical dollar values.

Reclassifications

Certain information in the fiscal 2014 consolidated financial statements has been reclassified to conform to the fiscal 2015 presentation. There were no changes in total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2014 consolidated financial statements.

3. INTEREST RECEIVABLE AND OTHER ASSETS

Current and long-term interest receivable and other assets consisted of $563,000 and $164,000 of interest and dividends receivable and $743,000 and $561,000 of other assets as of September 30, 2015 and 2014, respectively.

4. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consisted of the following as of September 30, 2015 and 2014:

Discount rates for pledges outstanding at September 30, 2015, ranged from 0.23% to 4.41%. Discount rates for pledges outstanding at September 30, 2014, ranged from 0.23% to 4.59%.

	2015	2014
	(in thousands)	
Contributions receivable due in:		
Less than 1 year	$ 8,068	$ 8,822
1-5 years	16,864	14,850
Greater than 5 years	1,430	3,325
	26,362	26,997
Less:		
Allowance for uncollectible contributions	(1,670)	(1,897)
Discount to present value	(1,204)	(1,395)
	$ 23,488	$ 23,705

Concentrations

For the years ended September 30, 2015 and 2014, one donor's contributions totaled 15% and 14%, respectively, of the Organization's total operating support and revenue. At September 30, 2015 and 2014, two donors' gross pledge balances represented 43% and 49%, respectively, of the Organization's gross contributions receivable.

5. INVESTMENTS

The following tables summarize investments within the fair value hierarchy (see Note 2) as of September 30, 2015 and 2014 (in thousands):

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents held for long-term investment	$ 3,883	$ -	$ -	$ 3,883
Fixed income including mutual funds and ETFs	66,193	-	-	66,193
Equities including mutual funds and ETFs	381,697	-	-	381,697
	$ 451,773	$ -	$ -	451,773
Alternative investments:				
Private equity				5,206
Venture capital				5,898
Fund of funds				23,340
Total investments				$ 486,217

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents held for long-term investment	$ 4,500	$ -	$ -	$ 4,500
Fixed income including mutual funds and ETFs	53,911	-	-	53,911
Equities including mutual funds and ETFs	427,153	-	-	427,153
Total	$ 485,564	$ -	$ -	485,564
Alternative investments:				
Private equity				6,293
Venture capital				4,954
Fund of funds				24,170
Total investments				$ 520,981

In accordance with ASC Subtopic 820-10, investments measured at fair value using the NAV per share practical expedient have not been categorized in the fair value hierarchy.

The Organization uses the NAV to determine the fair value of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their investees financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Per the accounting standard governing NAV as a practical expedient, the following table lists investments in other companies by major category as of September 30, 2015 and 2014 (in thousands):

2015

Type	Strategy	NAV in Funds	# of Funds	$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Private Equity	Privately held and publicly traded securities in healthcare, biotechnology and related fields, international investments with the objective of obtaining long-term growth, equity securities and warrants that are not actively traded, industrial property	$5,206	4	$570	N/A	Not permitted to withdraw from partnership
Venture Capital	Emerging growth companies	$5,898	2	$474 $0	N/A	Not permitted to withdraw from partnership
Fund of funds	Limited and general partnerships, unit trusts or hedge funds with variety of investment strategies	$23,341	1	N/A	95 days notice and annual redemptions	N/A

2014

Type	Strategy	NAV in Funds	# of Funds	$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Private Equity	Privately held and publicly traded securities in healthcare, biotechnology and related fields, international investments with the objective of obtaining long-term growth, equity securities and warrants that are not actively traded, industrial property	$6,293	4	$870	N/A	Not permitted to withdraw from partnership
Venture Capital	Emerging growth companies	$4,954	2	$819	N/A	Not permitted to withdraw from partnership
Fund of funds	Limited and general partnerships, unit trusts or hedge funds with variety of investment strategies	$24,170	1	N/A	95 days notice and annual redemptions	N/A

The Organization assesses the level of investments at each measurement date, and transfers between levels are recognized as of the date of the transfer.

(in thousands)

Investment return comprises interest, dividends, and realized and unrealized gains and losses. Return for the years ended September 30, 2015 and 2014 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Interest and dividends	$ 293	$ 11,351	$ -	$ 11,644	$ 10,408
Net realized gains on sale of investments	255	19,181		19,436	677
Net unrealized gains on investments	(1,322)	(41,681)	-	(43,003)	41,005
Total investment gains	(774)	(11,149)	-	(11,923)	52,090
Investment return used for operations	(293)	(24,500)	-	(24,793)	(25,247)
Net investment return, in excess of amounts used for operations	$ (1,067)	$ (35,649)	$ -	$ (36,716)	$ 26,843

The Organization's spending policy states distributions from all endowment funds if not otherwise limited shall be limited to 4.5% and 5.1% in fiscal years 2015 and 2014, respectively.

For fiscal 2015 and 2014, $250,000 and $178,000, respectively, of investment advisory and custodial fees were netted against investment income.

6. SPLIT-INTEREST AGREEMENTS

The Organization is a beneficiary under certain split-interest agreements in which the donor has established a charitable remainder unitrust, annuity trust or charitable gift annuity with specified distributions to be made over the term of the trust to the donor and/or other beneficiaries. The Organization manages and invests these assets on behalf of these beneficiaries until the agreement expires and the assets are distributed. Contribution revenue is recognized at the date the trust or annuity contract is established after recording liabilities for the present value of the estimated future payments expected to be made to the donors and/or other beneficiaries. The liabilities are adjusted annually for changes in the life expectancy of the donor or beneficiary, amortization of the discount and other changes in the estimates of future payments. The discount rate used to value new split-interest agreements ranged from 2.0% to 2.2% and 2.0% to 2.4% for the years ended September 30, 2015 and 2014, respectively. The Organization recorded contributions from new split-interest agreements of approximately $1,752,400 and $1,946,000 for the years ended September 30, 2015 and 2014, respectively. These amounts are included in contributions in the accompanying consolidated statements of activities. At September 30, 2015 and 2014, the Organization's liabilities under split-interest agreements were classified as Level 3 within the fair value hierarchy as required by US GAAP for fair value measurement (see Note 2).

The following tables summarize the changes in the Organization's Level 3 liabilities under split-interest agreements for the years ended September 30, 2015 and 2014:

	Agreements (in thousands)
Balance at September 30, 2014	$ 9,891
New agreements	2,919
Payments to annuitants	(1,614)
Terminated contracts	(208)
Change in value due to actuarial valuations	604
Balance at September 30, 2015	$ 11,592

	Liability under Split-Interest Agreements (in thousands)
Balance at September 30, 2013	$ 7,764
New agreements	2,658
Payments to annuitants	(1,234)
Terminated contracts	(239)
Change in value due to actuarial valuations	942
Balance at September 30, 2014	$ 9,891

The following tables summarize investments in split-interest agreements within the fair value hierarchy (see Note 2) as of September 30, 2015 and 2014 (in thousands):

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 836	$ -	$ -	$ 836
Fixed income including mutual funds	5,201	-	-	5,201
Equities including mutual funds	13,915	-	-	13,915
Total	$ 19,952	$ -	$ -	$ 19,952

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 597	$ -	$ -	$ 597
Fixed income including mutual funds	4,532	-	-	4,532
Equities including mutual funds	13,336	-	-	13,336
Total	$ 18,465	$ -	$ -	$ 18,465

In addition, the Organization is the beneficiary of other split-interest agreements that are held and administered by others. When the Organization is not the trustee, the beneficial interest in the trust is recorded at the fair value of the assets at the statement of financial position date less the present value of estimated future payments expected to be made to donors and/or other beneficiaries.

The Organization's assets of trusts and other split-interest agreements held by others are classified as Level 3 within the fair value hierarchy.

The following tables summarize the changes in the Organization's Level 3 assets of trusts and other split-interest agreements held by others for the years ended September 30, 2015 and 2014:

	Assets of Trusts and Other Split-Interest Agreements Held by Others (in thousands)
Balance at September 30, 2014	$ 29,923
Unrealized losses on trust assets	(1,970)
Change in assets of trusts and other split-interest agreements held by others	(129)
Balance at September 30, 2015	$ 27,824

	Assets of Trusts and Other Split-Interest Agreements Held by Others (in thousands)
Balance at September 30, 2013	$ 33,983
Unrealized losses on trust assets	(262)
Change in assets of trusts and other split-interest agreements held by others	(3,798)
Balance at September 30, 2014	$ 29,923

7. FIXED ASSETS, NET

Fixed assets, net consisted of the following at September 30, 2015 and 2014 (in thousands):

	2015	2014
Leasehold improvements	$ 1,431	$ 1,420
Furniture and equipment	1,656	1,607
	3,087	3,027
Less: Accumulated depreciation	(2,845)	(2,708)
	$ 242	$ 319

Depreciation expense amounted to approximately $136,000 and $232,000 for the years ended September 30, 2015 and 2014, respectively.

8. ENDOWMENT

The Organization has interpreted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) as requiring the preservation of the original gift, as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the 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 remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization
- When appropriate, alternatives to spending from donor-restricted endowment funds and the possible effects on the Organization

The Organization has a policy of appropriating for distribution a certain percentage (4.5% in 2015 and 5.1% in 2014) of its endowment fund’s average fair value over the prior twelve quarters. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. To cover reasonable expenses incurred in connection with the administration and stewardship of the endowment, the Organization also has a policy of applying a charge to its endowment fund's average fair value over the prior twelve quarters. Effective October 1, 2014, this charge was increased from 75 basis points (0.75%) to 100 basis points (1%) of its endowment fund's average fair value over the prior twelve quarters.

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks without putting the assets at imprudent risk. To satisfy its long-term objectives, the Organization 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 Organization targets a diverse asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

With the exception of endowment pledges and split-interest agreements, the following tables summarize endowment net asset composition by type of fund as of September 30, 2015 and 2014 (in thousands):

Endowment Net Assets Composition by Type of Fund	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at October 1, 2014	$ (12)	$ 147,715	$ 299,010	$ 446,713
Investment return:				
Investment income	-	5,941	-	5,941
Net appreciation (realized and unrealized)	(440)	(20,590)	-	(21,030)
Contributions and bequests	-	-	4,844	4,844
Appropriation of endowment assets for expenditure	-	(17,184)	-	(17,184)
Re-designations/Other	-	-	(1,092)	(1,092)
Endowment net assets at September 30, 2015	$ (452)	$ 115,882	$ 302,762	$ 418,192

Endowment Net Assets Composition by Type of Fund	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at October 1, 2013	$ -	$ 121,641	$ 294,421	$ 416,062
Investment return:				
Investment income	-	6,034	-	6,034
Net appreciation (realized and unrealized)	(12)	38,535	-	38,523
Contributions and bequests	-	-	4,589	4,589
Appropriation of endowment assets for expenditure	-	(18,495)	-	(18,495)
Endowment net assets at September 30, 2014	$ (12)	$ 147,715	$ 299,010	$ 446,713

9. PENSION PLAN

The Organization has a defined-contribution pension plan for covered personnel, funded through an insurance company. Contributions into the plan are paid by both the Organization and, to the extent the employee is participating, by the employee. In order to be eligible to receive the match in the plan, after one year of employment employees must make a pretax contribution of at least 4.5% of their compensation. The Organization will then contribute 4.5% of compensation during the first 5 years of participation; 9% of compensation during the next 10 years of participation; and 13.5% of compensation after 10 years of participation, subject to statutory maximum contributions. Pension expense was $308,500 and $348,000 for fiscal 2015 and 2014, respectively.

10. OTHER POSTRETIREMENT BENEFITS

The Organization provides a benefit to qualified retirees hired prior to September 1, 2010 of $1,500 annually to help defray the cost of health insurance. Two grandfathered retirees are not subject to the $1,500 cap on this benefit payment. In addition, the Organization provides a flexible spending account to two retirees which has been refreshed every year since inception and pays up to $3,000 of non-reimbursed medical expenses. The Organization also provides Medicare benefits capped at $15,000 annually to two retirees. The accumulated postretirement benefit obligation related to these benefits totaled $774,500 and $567,000 as of September 30, 2015 and 2014, respectively, and is included in other long-term liabilities on the consolidated statements of financial position.

11. RELATED PARTY TRANSACTIONS

Included in marketable securities on the consolidated statements of financial position are assets with a fair value at September 30, 2015 and 2014 of $5,524,000 and $5,686,000, respectively, the oversight and management of which is under the control of the donor, who is a board member. Also included in marketable securities on the consolidated statements of financial position are real estate investment assets within an investment fund that a board member is a principal of. These assets had a fair value of $5,201,000 and $5,220,000 at September 30, 2015 and 2014, respectively. Additionally, included in marketable securities on the consolidated statements of financial position is an investment fund which another board member is a principal of. These assets had a fair value of $3,058,000 and $3,492,000, at September 30, 2015 and 2014, respectively.

12. COMMITMENTS

The Organization has one employment contract and leases office space under non-cancellable operating leases. The leases for office space provide for monthly rental payments to be made that include escalations each year. At September 30, 2015, minimum aggregate commitments under these obligations are as follows (in thousands):

Years Ending September 30,		
2016	$	1,254
2017		1,066
2018		652
2019		639
2020 and thereafter		607
Total	$	4,218

Rent expense for fiscal 2015 and 2014 was approximately $465,000 and $549,200, respectively.

In addition, since fiscal year 2001, the Organization has been investing in various alternative investments including private equity and venture capital funds. The total actual and committed investment contemplated as of September 30, 2015, was $41,800,000. The balance of the unfunded commitment as of September 30, 2015 was $1,045,000. The future alternative investment commitments will be met by an allocation of investments from the pooled endowment fund.

13. SUBSEQUENT EVENTS

The Organization evaluated its September 30, 2015 consolidated financial statements for subsequent events through March 29, 2016, the date the consolidated financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the accompanying consolidated financial statements.