UNITED HOSPITAL FUND OF NEW YORK

Financial Statements

February 28, 2014 and 2013

(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, 2014 and 2013, which comprise the statements of financial position as of February 28, 2014 and 2013, 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, 2014 and 2013, 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 10, 2014

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.

UNITED HOSPITAL FUND OF NEW YORK

Statements of Financial Position

February 28, 2014 and 2013

Assets		**2014**	**2013**
Cash and cash equivalents (note 13)	$	3,017,564	4,512,216
Grants and other receivables, net (note 3)		387,706	524,164
Other assets		913,278	843,807
Investments (notes 4, 8, and 12)		104,534,050	101,173,265
Property and equipment, net (note 5)		2,943,171	3,203,441
Beneficial interest in perpetual trusts (notes 6, 10, and 12)		4,109,189	3,721,210
Total assets	$	115,904,958	113,978,103
Liabilities and Net Assets			
Liabilities:			
Accounts payable and other liabilities	$	925,714	962,729
Indebtedness (note 11)		166,667	266,667
Pension benefit liability (notes 7 and 12)		—	1,863,202
Deferred rent obligation (note 8)		2,774,752	2,872,876
Grant commitments (note 2k)		1,010,000	1,068,500
Accrued postretirement benefits (note 7)		787,126	720,665
Total liabilities		5,664,259	7,754,639
Net assets:			
Unrestricted (note 9)		84,307,584	80,392,628
Temporarily restricted (notes 6 and 9)		20,566,486	20,852,186
Permanently restricted (notes 6 and 9)		5,366,629	4,978,650
Total net assets		110,240,699	106,223,464
Total liabilities and net assets	$	115,904,958	113,978,103

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statements of Activities

Years ended February 28, 2014 and 2013

	2014				2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Operating revenues and support:								
Public support:								
Foundation grants	$ —	694,627	—	694,627	—	1,438,649	—	1,438,649
Government and exchange contracts	1,078,589	—	—	1,078,589	1,000,297	—	—	1,000,297
Legacies	331	—	—	331	10,000	—	—	10,000
Contributions	359,378	—	—	359,378	369,810	—	—	369,810
Sandy Relief contributions	—	28,442	—	28,442	—	558,717	—	558,717
Special events (net of direct expenses of $371,499 in 2014 and $378,561 in 2013)	2,105,701	—	—	2,105,701	2,028,489	—	—	2,028,489
Total public support	3,543,999	723,069	—	4,267,068	3,408,596	1,997,366	—	5,405,962
Other revenues:								
Conferences and other	91,257	—	—	91,257	64,535	—	—	64,535
Investment return designated for current operations (notes 4 and 9)	5,470,000	—	—	5,470,000	5,298,000	—	—	5,298,000
Other investment income	73,969	—	—	73,969	82,359	—	—	82,359
Total other revenues	5,635,226	—	—	5,635,226	5,444,894	—	—	5,444,894
Net assets released from restrictions (note 6)	2,317,883	(2,317,883)	—	—	3,024,728	(3,024,728)	—	—
Total operating revenues and support	11,497,108	(1,594,814)	—	9,902,294	11,878,218	(1,027,362)	—	10,850,856
Operating expenses:								
Program services:								
Grants	936,576	—	—	936,576	1,122,000	—	—	1,122,000
Sandy Relief grants	28,442	—	—	28,442	608,717	—	—	608,717
Health services research, policy analysis, and education	5,641,814	—	—	5,641,814	5,359,131	—	—	5,359,131
Publications and information services	1,268,843	—	—	1,268,843	1,215,644	—	—	1,215,644
Total program services	7,875,675	—	—	7,875,675	8,305,492	—	—	8,305,492
Supporting services:								
Administrative and general	2,700,362	—	—	2,700,362	2,721,439	—	—	2,721,439
Fundraising	876,118	—	—	876,118	818,354	—	—	818,354
Total supporting services	3,576,480	—	—	3,576,480	3,539,793	—	—	3,539,793
Total operating expenses before pension plan curtailment	11,452,155	—	—	11,452,155	11,845,285	—	—	11,845,285
Change in net assets before effect of pension plan curtailment	44,953	(1,594,814)	—	(1,549,861)	32,933	(1,027,362)	—	(994,429)
Effect of pension plan curtailment	—	—	—	—	1,602,214	—	—	1,602,214
Total operating expenses	11,452,155	—	—	11,452,155	13,447,499	—	—	13,447,499
Change in net assets from operations	44,953	(1,594,814)	—	(1,549,861)	(1,569,281)	(1,027,362)	—	(2,596,643)
Nonoperating activities and support:								
Investment return more than amounts designated for current operations (notes 4 and 9)	3,930,879	1,309,114	—	5,239,993	408,129	555,940	—	964,069
Pension related changes other than net periodic pension cost (note 7)	—	—	—	—	587,148	—	—	587,148
Postretirement related changes other than net periodic postretirement cost (note 7)	(59,862)	—	—	(59,862)	18,690	—	—	18,690
Change in value of beneficial interest in perpetual trusts (note 10)	—	—	387,979	387,979	—	—	168,214	168,214
Tax expense from unrelated business income (note 4)	(1,014)	—	—	(1,014)	(2,550)	—	—	(2,550)
Change in net assets from nonoperating activities and support	3,870,003	1,309,114	387,979	5,567,096	1,011,417	555,940	168,214	1,735,571
Change in total net assets	3,914,956	(285,700)	387,979	4,017,235	(557,864)	(471,422)	168,214	(861,072)
Net assets at beginning of year	80,392,628	20,852,186	4,978,650	106,223,464	80,950,492	21,323,608	4,810,436	107,084,536
Net assets at end 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

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statements of Cash Flows

Years ended February 28, 2014 and 2013

		2014	2013
Cash flows from operating activities:			
Change in net assets	$	4,017,235	(861,072)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		318,981	304,268
Realized and unrealized gains on investments		(9,236,792)	(3,377,854)
Change in value of beneficial interest in perpetual trusts		(387,979)	(168,214)
Net change in assets and liabilities:			
Grants and other receivables, net		136,458	437,005
Other assets		(69,471)	(123,252)
Accounts payable and other liabilities, and deferred rent obligation		(135,139)	41,154
Pension benefit liability		(1,863,202)	115,066
Grant commitments		(58,500)	320,500
Accrued postretirement benefits		66,461	(8,024)
Net cash used in operating activities		(7,211,948)	(3,320,423)
Cash flows from investing activities:			
Purchases of property and equipment		(58,711)	(31,417)
Purchases of investments		(5,517,301)	(14,146,942)
Proceeds from sales of investments		11,393,308	17,331,849
Net cash provided by investing activities		5,817,296	3,153,490
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		(1,494,652)	(266,933)
Cash and cash equivalents, beginning of year		4,512,216	4,779,149
Cash and cash equivalents, end of year	$	3,017,564	4,512,216
Supplemental disclosures of cash flow information:			
Cash paid during the year for income taxes	$	1,014	2,550
Cash for interest on debt instruments		3,628	5,364

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.

UNITED HOSPITAL FUND OF NEW YORK

Statement of Functional Expenses

Year ended February 28, 2013

	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	$ —	2,668,602	682,705	3,351,307	1,303,461	398,457	1,701,918	5,053,225
Benefits (note 7)	—	891,426	228,053	1,119,479	435,410	133,101	568,511	1,687,990
Total salaries and benefits	—	3,560,028	910,758	4,470,786	1,738,871	531,558	2,270,429	6,741,215
Grants	1,122,000	—	—	1,122,000	—	—	—	1,122,000
Sandy Relief grants	608,717	—	—	608,717	—	—	—	608,717
Other expenses:								
Consulting and professional fees	—	704,718	13,209	717,927	316,332	21,273	337,605	1,055,532
Occupancy costs (note 8)	—	785,935	180,386	966,321	479,761	129,397	609,158	1,575,479
Conference costs	—	115,804	4,848	120,652	16,411	15,971	32,382	153,034
Printing costs	—	4,868	46,354	51,222	249	69,540	69,789	121,011
Other	—	187,778	60,089	247,867	169,815	50,615	220,430	468,297
Total other expenses	—	1,799,103	304,886	2,103,989	982,568	286,796	1,269,364	3,373,353
Total operating expenses	$ 1,730,717	5,359,131	1,215,644	8,305,492	2,721,439	818,354	3,539,793	11,845,285
Pension plan curtailment	$ —	849,027	215,809	1,064,836	410,484	126,894	537,378	1,602,214
Special events								378,561
Total expenses								$ 13,826,060

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

(c) Measure of Operations

In the statements of activities, the Fund includes in its definition of operations, all support, revenue, and expenses that are an integral part of its program and supporting activities. Investment income, including net realized and unrealized gains and losses, earned in excess of the Fund's authorized spending policy, pension and other postretirement related changes other than net periodic cost, change in value of beneficial 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 and alternative investments that are redeemable at or near the balance sheet date (within 90 days).
- Level 3 inputs are unobservable inputs for the asset or liability and alternative investments that are not redeemable near the balance sheet date.

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

(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) Sandy Relief Grants

The *Hurricane Sandy Health Care Employee Relief Fund* (Sandy Relief Fund) was established by the Fund and area hospital and healthcare associations working with the American Hospital Association in an effort to provide assistance to hospital and health care employees who suffered significant personal unreimbursed losses as a result of Hurricane Sandy. Funds raised were held by the Fund and then allocated to 47 member organizations of the sponsoring associations, based on the number of employees within those organizations who qualified for assistance. Member organizations were responsible to determine eligibility and provide for distributions to those employees who qualified. For the years ended February 28, 2014 and 2013, the Fund received contributions of $28,442 and $558,717, respectively. Grants totaling $28,442 and $608,717, including $50,000 from United Hospital Fund, were distributed as of February 28, 2014 and 2013, respectively.

(g) Legacies

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

(h) 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.

(i) 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.

(j) 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.

(k) 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 $1,010,000 and $1,068,500 as of February 28, 2014 and 2013, respectively, are payable within one year.

(l) 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.

(m) 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, 2014 and 2013 was 5.5%. For the years ended February 28, 2014 and 2013, the trailing moving average used was a 36-month base. Certain endowment gifts are restricted for specific purposes, the income from which, included in the spending rate, is spent in accordance with those restrictions.

(n) 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.

(Continued)

(o) 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.

(p) 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, 2014 and 2013.

(q) Reclassifications

Certain reclassifications of 2013 amounts have been made to conform to the 2014 presentation.

(3) Grants and Other Receivables

Grants and other receivables balances at February 28, 2014 and 2013 were $387,706 and $524,164, respectively, which are expected to be collected within one year.

(4) Investments

Investments consisted of the following as of February 28, 2014 and 2013:

		February 28		
		2014	**2013**	
Held at financial institutions:				
Cash and short-term investments	$	296,699	152,091	
Accrued income		11,511	19,831	
Mutual funds – fixed income and bonds		17,995,065	18,832,742	
Mutual funds – primarily U.S. equities		9,062,896	8,995,411	
U.S. common stocks		7,174,687	6,271,872	
International equities		1,272,833	1,998,943	
Treasury inflation – protected securities		832,562	885,802	E
		36,646,253	37,156,692	
Limited partnerships/commingled funds:				
Absolute return fund of funds		11,795,235	10,392,643	A
Real estate fund of funds		648,089	858,863	D
WTC common trust fund real asset portfolio		7,920,138	8,175,746	B
International value equity trust		13,482,623	13,136,341	C
Select equities fund		9,292,519	8,427,756	I

		February 28 2014	February 28 2013	
Emerging markets investable fund	$	5,796,375	5,950,402	F
Equity hedge fund		11,211,316	10,083,303	G
International equity fund		7,741,502	6,991,519	H
		67,887,797	64,016,573	
	$	104,534,050	101,173,265	

A 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.

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

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

D The 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.

E 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.

F 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.

G 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.

H 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.

I 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, 2014, the following table summarizes the composition of $104,534,050 at fair value of investments by the various redemption provisions and lock-up periods:

Redemption period		**Amount**
Daily	$	53,680,274
Monthly up to 30 days' notice		27,199,136
Quarterly with 90 days' notice		11,795,235
Annually at 12/31 with 60 days' notice		11,211,316
Lock-up		648,089
Total	$	104,534,050

The amount subject to redemption lock-up of $648,089 is set to expire in fiscal year 2016.

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

	February 28, 2014			February 28, 2013		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Dividends and interest (net of investment and advisory fees of $421,921 in 2014 and $458,133 in 2013)	$ 1,180,264	292,937	1,473,201	2,282,857	601,358	2,884,215
Net appreciation in fair value of investments	7,400,115	1,836,677	9,236,792	2,673,572	704,282	3,377,854
	8,580,379	2,129,614	10,709,993	4,956,429	1,305,640	6,262,069
Spending rate allocated for current operations	820,500	(820,500)	—	749,700	(749,700)	—
	9,400,879	1,309,114	10,709,993	5,706,129	555,940	6,262,069
Investment return designated for current operations	(5,470,000)	—	(5,470,000)	(5,298,000)	—	(5,298,000)
Investment return more than amounts designated for current operations	$ 3,930,879	1,309,114	5,239,993	408,129	555,940	964,069

(5) Property and Equipment

Property and equipment consisted of the following as of February 28, 2014 and 2013:

	February 28	
	2014	2013
Property	$ 417,375	417,375
Leasehold improvements	2,804,212	2,804,212
Furniture and office equipment	1,043,871	1,086,018
	4,265,458	4,307,605
Accumulated depreciation and amortization	(1,322,287)	(1,104,164)
Total	$ 2,943,171	3,203,441

(6) Restricted Net Assets

Net assets were restricted for the following purposes as of February 28, 2014 and 2013:

	February 28	
	2014	2013
Temporarily restricted net assets to support:		
Program initiatives	$ 19,493,385	18,184,271
Program grants restricted by:		
Purpose	573,474	1,723,257
Time	499,627	944,658
	$ 20,566,486	20,852,186

	February 28	
	2014	2013
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	4,109,189	3,721,210
	$ 5,366,629	4,978,650

(7) Pension and Postretirement Benefit Plans

The Fund had a qualified defined benefit pension plan (Plan) for eligible employees. On June 20, 2007, the Board elected to close the defined benefit plan to new members and to freeze the Plan for existing members as of December 31, 2011. On November 16, 2011, the Board elected to terminate the defined benefit plan as of March 1, 2012 and amended the Plan to include a lump-sum payment option. The Fund submitted the Plan to the Internal Revenue Service (IRS) in January 2012 to obtain a final determination, which was received in August 2012. The termination process was completed and all funds liquidated by March 28, 2013.

The Fund also has a noncontributory unfunded postretirement benefit plan (postretirement), which covers substantially all employees and their spouses. Each participant will be eligible to receive benefits at age 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, 2014 and 2013 are as follows:

		February 28	
		2014	2013
Change in benefit obligation:			
Benefit obligation, beginning of year	$	720,665	728,689
Service cost		15,736	20,178
Interest cost		26,521	28,947
Actuarial loss (gain)		48,582	(34,021)
Benefits paid		(24,378)	(23,128)
Benefit obligation, end of year		787,126	720,665
Funded status	$	(787,126)	(720,665)
Accumulated benefit obligation	$	787,126	720,665
Employer contributions		(24,378)	(23,128)
Recognized actuarial gain		(11,280)	(15,331)

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 $167,975 and $227,837 as of February 28, 2014 and 2013, respectively.

Other changes in benefit obligations recognized in the change in unrestricted net assets for the postretirement plan for the year ended February 28, 2014 are as follows:

		February 28	
		2014	2013
Net loss	$	59,862	18,690
Total recognized in change in unrestricted net assets		59,862	18,690
Net periodic benefit cost		30,977	33,794
Total recognized in change in unrestricted net assets and net periodic benefit	$	90,839	52,484

The amount expected to be recognized in net periodic benefit cost is a gain of $6,340 during fiscal year 2015.

The weighted average assumptions used to determine the components of benefit cost as of and for the years ended February 28, 2014 and 2013 were 4.27% and 3.81%, 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

(Continued)

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, 2014 and 2013, the Fund contributed $423,312 and $408,684, 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, 2014 and 2013, the Fund contributed $32,500 and $32,000, 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.

Future minimum lease payments as of February 28, 2014, net of the applicable rent credits, for the fiscal years ending February 28 are as follows:

2015	$	1,080,360
2016		1,080,360
2017		1,080,360
2018		1,077,688
2019		1,064,330
Thereafter		7,095,534
	$	12,478,632

Rent expense for the years ended February 28, 2014 and 2013 amounted to $1,080,360 and $1,080,760, respectively, and a deferred rent obligation of $2,774,752 and $2,872,876, 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, 2014 and 2013, the Fund had invested $2,145,545 of this commitment. For the years ended February 28, 2014 and 2013, the Fund received redemptions of $266,289 and $180,148, respectively. Cumulative redemptions to date are $2,308,603 and $2,042,314 at February 28, 2014 and 2013, respectively.

(Continued)

(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(i). 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, 2014 and 2013.

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

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

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Board-designated quasi-endowment	$ 80,591,441	—	—	80,591,441
Donor-restricted endowment	—	19,493,385	1,257,440	20,750,825
Total endowment	$ 80,591,441	19,493,385	1,257,440	101,342,266

The composition of the endowment net assets at February 28, 2013 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Board-designated quasi-endowment	$ 76,687,837	—	—	76,687,837
Donor-restricted endowment	—	18,184,271	1,257,440	19,441,711
Total endowment	$ 76,687,837	18,184,271	1,257,440	96,129,548

(Continued)

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	$ 76,687,837	18,184,271	1,257,440	96,129,548
Investment activity:				
Interest and dividends	1,180,264	292,937	—	1,473,201
Realized gain on investments	2,233,328	554,302	—	2,787,630
Unrealized gain on investments	5,166,787	1,282,375	—	6,449,162
Spending rate applied to operations	(4,649,500)	(820,500)	—	(5,470,000)
Other	(27,275)	—	—	(27,275)
Endowment net assets, end of year	$ 80,591,441	19,493,385	1,257,440	101,342,266

Changes in endowment net assets for the year ended February 28, 2013 are as follows:

	Board-designated unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 76,351,116	17,628,331	1,257,440	95,236,887
Investment activity:				
Interest and dividends	2,282,857	601,358	—	2,884,215
Realized gain on investments	1,890,262	497,940	—	2,388,202
Unrealized gain on investments	783,310	206,342	—	989,652
Spending rate applied to operations	(4,548,300)	(749,700)	—	(5,298,000)
Other	(71,408)	—	—	(71,408)
Endowment net assets, end of year	$ 76,687,837	18,184,271	1,257,440	96,129,548

(10) Beneficial Interest in Perpetual Trusts

The Fund has recorded an increase of $387,979 and $168,214 in permanently restricted net assets for the years ended February 28, 2014 and 2013, 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	
	2014	**2013**
Cash and short-term investments	5%	4%
Equities	62	57
Fixed income	23	29
Alternative investments	10	10
	100%	100%

For the years ended February 28, 2014 and 2013, the Fund received distributions from these trusts of $73,722 and $80,442, respectively.

(11) Indebtedness

In December 2010, the Fund entered into a one-year credit agreement of up to $3,300,000 to finance the cost of leasehold improvements for its new offices at 1411 Broadway. The agreement calls for revolving loan advances to and repayments by the Fund with interest at monthly LIBOR plus 1.4% and a commitment fee of 0.20% on the daily average unused amount of the commitment during the period of the agreement. As of February 28, 2011, the Fund had borrowed $1,700,000. During the fiscal year ended February 29, 2012, the Fund repaid $1,300,000 and converted the remaining balance of $400,000 to a 4-year term loan with interest using the monthly LIBOR. As of February 28, 2014 and 2013, the loan had an outstanding balance of $166,667 and $266,667 and interest in the amount of $3,628 and $5,364, respectively, had been paid to the lender. The Fund is not and has not been in violation of any loan covenants through the date of this report.

In December 2013, the Fund renewed a $1,000,000 line of credit, which expires on December 31, 2014. 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, 2014 and 2013.

(12) Fair Value of Financial Instruments

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

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

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

Grants and Other Receivables, Accounts Payable and Other Liabilities, and Grant Commitments – The carrying amount reported in the statements of financial position approximates its fair value because of the short-term nature of the accounts. The estimated fair values, however, involve unobservable inputs considered to be Level 3 in the fair value hierarchy.

Financial assets carried at fair value at February 28, 2014 are classified in the table in one of three levels 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
Limited partnerships/ commingled funds:				
Absolute return fund of funds	—	11,795,235	—	11,795,235
Real estate fund of funds	—	—	648,089	648,089
WTC common trust fund real asset portfolio	—	7,920,138	—	7,920,138
International value equity trust	—	13,482,623	—	13,482,623
Select equities fund	—	9,292,519	—	9,292,519
Emerging markets investable fund	—	5,796,375	—	5,796,375
Equity hedge funds			11,211,316	11,211,316
International equity	—	7,741,502	—	7,741,502
Total investments	36,646,253	56,028,392	11,859,405	104,534,050
Beneficial interest in perpetual trusts	—	—	4,109,189	4,109,189
Total assets carried at fair value	$ 36,646,253	56,028,392	15,968,594	108,643,239

(Continued)

Financial assets carried at fair value at February 28, 2013 are classified in the table in one of three levels as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and short-term investments	$ 152,091	—	—	152,091
Accrued income	19,831	—	—	19,831
Mutual funds – fixed income and bonds	18,832,742	—	—	18,832,742
Mutual funds – primarily U.S. equities	8,995,411	—	—	8,995,411
U.S. common stocks	6,271,872	—	—	6,271,872
International equities	1,998,943	—	—	1,998,943
Treasury inflation – protected securities	885,802	—	—	885,802
Limited partnerships/ commingled funds:				
Absolute return fund of funds	—	10,392,643	—	10,392,643
Real estate fund of funds	—	—	858,863	858,863
WTC common trust fund real asset portfolio	—	8,175,746	—	8,175,746
International value equity trust	—	13,136,341	—	13,136,341
Select equities fund	—	8,427,756	—	8,427,756
Investable emerging markets country fund	—	5,950,402	—	5,950,402
Equity hedge funds	—	—	10,083,303	10,083,303
International equity	—	6,991,519	—	6,991,519
Total investments	37,156,692	53,074,407	10,942,166	101,173,265
Beneficial interest in perpetual trusts	—	—	3,721,210	3,721,210
Pension plan assets:				
Bonds	5,209,405	—	—	5,209,405
Total assets carried at fair value	$ 42,366,097	53,074,407	14,663,376	110,103,880

The changes in assets measured at fair value for which the Fund has classified as Level 3 are as follows for the year ended February 28, 2014:

		Real estate fund of funds	Equity hedge fund	Beneficial interest in perpetual trusts	Total
Balance at February 28, 2013	$	858,863	10,083,303	3,721,210	14,663,376
Purchases		5,428	—	—	5,428
Sales and redemptions		(281,197)	—	—	(281,197)
Realized/unrealized gain		64,995	1,128,013	—	1,193,008
Change in value of beneficial interest in perpetual trusts		—	—	387,979	387,979
Balance at February 28, 2014	$	648,089	11,211,316	4,109,189	15,968,594

The changes in assets measured at fair value for which the Fund has classified as Level 3 are as follows for the year ended February 28, 2013:

		Real estate fund of funds	Equity hedge fund	Beneficial interest in perpetual trusts	Total
Balance at February 29, 2012	$	962,441	10,801,172	3,552,996	15,316,609
Purchases		13,565	—	—	13,565
Sales and redemptions		(173,092)	(1,000,000)	—	(1,173,092)
Realized/unrealized gain		55,949	282,131	—	338,080
Change in value of beneficial interest in perpetual trusts		—	—	168,214	168,214
Balance at February 28, 2013	$	858,863	10,083,303	3,721,210	14,663,376

(13) 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, 2014 and 2013, the Fund's cash and cash equivalents included cash and money market funds approximating $2,764,804 and $4,260,716, respectively, which are not covered by FDIC insurance.

(14) Subsequent Events

In connection with the preparation of the financial statements, the Fund evaluated subsequent events after the balance sheet date of February 28, 2014 through June 10, 2014, 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.