

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Financial Report
June 30, 2015

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Independent Auditor's Report

To the Board of Trustees
American Committee for Shaare
Zedek Hospital in Jerusalem, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the American Committee for Shaare Zedek Hospital in Jerusalem, Inc. which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 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 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 auditor's 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 the American Committee for Shaare Zedek Hospital in Jerusalem, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the American Committee for Shaare Zedek Hospital in Jerusalem, Inc's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
January 21, 2016

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Statement of Financial Position

June 30, 2015

(with summarized comparative financial information as of June 30, 2014)

	2015	2014
Assets		
Cash and Cash Equivalents	\$ 3,255,052	\$ 2,791,030
Unconditional Promises to Give, Net	8,126,617	7,738,271
Prepaid Expenses and Other Assets	133,250	169,918
Investments	16,373,000	16,908,167
Property and Equipment, net, at cost	21,383	33,476
Total assets	\$ 27,909,302	\$ 27,640,862
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 122,034	\$ 141,524
Deferred rent obligation	164,375	151,570
Liabilities under split-interest agreements	2,321,516	2,458,256
Total liabilities	2,607,925	2,751,350
Commitments		
Net Assets		
Unrestricted:		
Board-designated for endowments	2,737,051	2,810,819
Undesignated	651,955	1,892,931
Total unrestricted	3,389,006	4,703,750
Temporarily restricted	14,507,789	13,081,508
Permanently restricted	7,404,582	7,104,254
Total net assets	25,301,377	24,889,512
Total liabilities and net assets	\$ 27,909,302	\$ 27,640,862

See Notes to Financial Statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Statement of Activities

Year Ended June 30, 2015

(with summarized comparative financial information for the year ended June 30, 2014)

	2015			Total	2014
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support, Revenue, Gains and Losses					Summarized Financial Information
Contributions and unconditional promises to give, net	\$ 8,475,547	\$ 5,837,146	\$ 10,640	\$ 14,323,333	\$ 12,761,392
Legacies and bequests	5,060,385	-	289,688	5,350,073	5,579,809
Special events, net of direct expenses for direct benefit to donors of \$466,154 and \$424,518, respectively	935,315	-	-	935,315	1,160,474
Investment income	157,326	222,770	-	380,096	369,226
Net realized and unrealized gain on investments	(30,216)	64,252	-	34,036	1,457,850
Government grants	743,855	-	-	743,855	711,810
Other income	67	-	-	67	17
Change in value of split-interest agreements	-	(383,109)	-	(383,109)	(222,028)
Net assets released from restrictions - satisfaction of time and purpose restrictions	4,214,978	(4,214,978)	-	-	-
Total support, revenue, gains and losses	19,557,257	1,526,081	300,328	21,383,666	21,818,550
Expenses					
Program services - payments to or on behalf Shaare Zedek Hospital	17,892,388	-	-	17,892,388	13,431,469
Supporting Services					
Management and general	775,179	-	-	775,179	814,616
Fund-raising	1,846,434	-	-	1,846,434	1,964,806
Total supporting services	2,621,613	-	-	2,621,613	2,779,422
Total expenses	20,514,001	-	-	20,514,001	16,210,891
Change in net assets before other changes	(956,744)	1,526,081	300,328	869,665	5,607,659
Other Changes in Net Assets					
Loss on disposition of investment	(358,000)	-	-	(358,000)	-
Losses on uncollectible pledges	-	(99,800)	-	(99,800)	(29,000)
Change in net assets	(1,314,744)	1,426,281	300,328	411,865	5,578,659
Net Assets					
Beginning	4,703,750	13,081,508	7,104,254	24,889,512	19,310,853
Ending	\$ 3,389,006	\$ 14,507,789	\$ 7,404,582	\$ 25,301,377	\$ 24,889,512

See Notes to Financial Statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Statement of Functional Expenses

Year Ended June 30, 2015

(with summarized comparative financial information for the year ended June 30, 2014)

	2015			2014	
	<u>Program Services</u>	<u>Supporting Services</u>			
	Payments to or on Behalf of Shaare Zedek Hospital	Management and General	Fund- Raising	Total	Summarized Financial Information
Salaries and temporary help	\$ 550,908	\$ 390,509	\$ 965,603	\$ 1,907,020	\$ 2,084,906
Payroll taxes and employee benefits	130,815	98,299	209,326	438,440	476,417
Total salaries and related expenses	681,723	488,808	1,174,929	2,345,460	2,561,323
Shaare Zedek Hospital	16,689,370	-	-	16,689,370	12,187,084
Occupancy	71,463	53,597	232,254	357,314	348,695
Office supplies	11,327	11,327	33,980	56,634	54,769
Telephone	12,561	15,074	22,610	50,245	50,825
Postage and shipping	16,607	16,607	49,822	83,036	74,631
Computer services	21,007	33,611	50,416	105,034	139,878
Insurance	-	42,419	-	42,419	37,428
Professional fees and contracted services	215,636	30,339	68,515	314,490	267,536
Printing and brochures	13,634	10,225	30,675	54,534	51,276
Publicity and public relations	28,328	28,328	84,982	141,638	156,651
Travel and automobile	34,342	7,296	21,888	63,526	73,892
Meetings and conferences	4,072	2,375	7,125	13,572	11,191
Depreciation and amortization	-	12,093	-	12,093	13,127
Miscellaneous	92,318	23,080	69,238	184,636	182,585
Total - 2015	\$ 17,892,388	\$ 775,179	\$ 1,846,434	\$ 20,514,001	
Ratio to total expenses - 2015	87%	4%	9%	100%	
Total - 2014	\$ 13,431,469	\$ 814,616	\$ 1,964,806		\$ 16,210,891
Ratio to total expenses - 2014	83%	5%	12%		100%

See Notes to Financial Statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Statement of Cash Flows
Year Ended June 30, 2015

(with summarized comparative financial information for the year ended June 30, 2014)

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ 411,865	\$ 5,578,659
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt (recoveries)	(101,518)	(30,406)
Loss on disposition of Investment	358,000	-
Discount on pledges receivable	175,720	24,152
Depreciation and amortization	12,093	13,127
Amortization of deferred rent obligation	12,805	18,903
Investment income restricted for reinvestment	(222,770)	(220,046)
Net realized and unrealized (loss) gain on investments	(34,036)	(1,457,850)
Change in value of split-interest agreements	383,109	222,028
Restricted contributions	(365,992)	(356,854)
Changes in operating assets and liabilities:		
Increase in unconditional promises to give	(462,548)	(2,328,344)
Decrease (increase) in prepaid expenses and other assets	36,668	(51,011)
(Decrease) increase in accounts payable and accrued expenses	(19,490)	19,448
Net cash provided by operating activities	183,906	1,431,806
Cash Flows From Investing Activities		
Proceeds from sale of investments	6,357,655	7,777,436
Purchases of investments	(6,146,452)	(6,208,985)
Net cash provided by investing activities	211,203	1,568,451
Cash Flows From Financing Activities		
Contributions restricted for endowments	300,328	321,377
Contributions restricted for investment subject to split-interest agreements	65,664	35,477
Investment income restricted for reinvestments	222,770	220,046
Payments on other liabilities	-	(1,000,000)
Payments associated with split-interest agreements	(545,977)	(591,343)
Increase (decrease) in obligations associated with split-interest agreements	26,128	(366,366)
Net cash provided by (used in) financing activities	68,913	(1,380,809)
Net change in cash and cash equivalents	464,022	1,619,448
Cash and Cash Equivalents		
Beginning	2,791,030	1,171,582
Ending	\$ 3,255,052	\$ 2,791,030

See Notes to Financial Statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 1. Organization

The American Committee for Shaare Zedek Hospital in Jerusalem, Inc. (the Committee) operates as a voluntary organization that raises funds from the general public in the United States to provide financial support, services and equipment for the Shaare Zedek Hospital in Jerusalem (the Hospital).

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The financial statements of the Committee have been prepared on the accrual basis of accounting.

Financial statement presentation and net assets: Information regarding the Committee's financial position and activities are reported in the following three classes of net assets:

(i) Unrestricted:

Unrestricted net assets represent those resources that are not subject to donor restrictions.

(ii) Temporarily restricted:

Net assets resulting from contributions and other inflows of assets whose use by the Committee is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Committee pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Committee's temporarily restricted net assets consist principally of unconditional pledges due in future periods, assets held under split-interest agreements, and accumulated appreciation of investments associated with endowment funds. Assets held under split-interest agreements are transferred to unrestricted net assets upon the death of the annuitant or other period specified under the agreement.

(iii) Permanently restricted:

Net assets resulting from contributions and other inflows of assets whose use by the Committee is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Committee.

The Committee's permanently restricted net assets consist of pledges receivable for endowments and endowment investments to be held indefinitely, the income from which is expendable in accordance with the terms of the endowment. Investment income earned is available for purposes specified by the donors in the endowment agreements.

Cash and cash equivalents: For purposes of the statement of cash flows, the Committee considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, except for such investments overseen by the investment committee of the board of trustees as part of the Committee's long-term investment strategies. Substantially all of the Committee's cash and cash equivalents at June 30, 2015 are held by one financial institution which, at times may exceed federally insured limits.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Contributions and unconditional promises to give: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if the restriction is fulfilled in the same time period in which the contribution is received, the Committee reports the support as unrestricted.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using risk-adjusted interest rates applicable to the year in which the promise to give is received. Amortization of the discount is included in contributions revenue. Conditional promises to give are not included as support until such time as the conditions on which they depend are substantially met.

The Committee uses the allowance method for uncollectible, unconditional promises receivable. The allowance is based on prior years' experience and management's analysis and evaluation of specific promises made. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. Recoveries of amounts previously written off are recorded as revenue when collected.

Contributions or donations of noncash assets are recorded at their fair values in the period received. Noncash donations amounted to \$90,979 and \$123,269 during the years ended June 30, 2015 and 2014, respectively.

Donated services that create or enhance the nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Committee receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special events. No amounts have been recognized for such donated services in the accompanying financial statements because they do not meet these criteria.

The Committee is a beneficiary under various wills and trust agreements, the total realizable amounts of which are not determinable at present. The Committee's share of such bequests is recorded when the probate courts declare the testamentary instrument valid and the proceeds are measurable.

Government grants: Revenue on cost-reimbursement government grants or contracts is recognized or recorded as receivable when the Committee requests reimbursements from the granting agency after eligible program expenditures have been incurred. Government grants or contracts may be subject to audit or review by the granting agency. Such audit or review could result in the disallowance of expenditures under the terms of the grant or reductions in future grant funds. Based on prior experience, management believes that if any costs are ultimately disallowed, they would not materially affect the financial position of the Committee.

Investments and related income: Investments are stated at their fair values, as described in Note 7. Investment income, gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Investment income and gains that are limited to specific uses by donor-imposed restrictions are reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income or gains are recognized. Investment expenses are generally reported as decreases in unrestricted net assets.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Functional allocation of expenses: The Committee allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated to each using management's estimates.

Property and equipment: Property and equipment is stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from three to seven years.

Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the estimated useful life of the improvement, whichever is shorter.

Income taxes: The Committee qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC), and is a publicly supported charitable organization as described in Section 509(a)(1) of the IRC. The Committee is subject to unrelated business income tax (UBIT), if applicable.

Management evaluated the Committee's income tax positions and concluded that the Committee had taken no uncertain tax positions that require adjustment or disclosure to the accompanying financial statements. Generally, the Committee is no longer subject to income tax examinations by U.S. federal, state or local tax authorities before returns filed for the year ended June 30, 2012, which is the standard statute of limitations look-back period.

Deferred rent: Certain leases provide for scheduled increases in base rent. Rent expense is charged to operations ratably over the term of the leases, which results in deferred rent. Deferred rent obligation in the statement of financial position represents cumulative rent expense charged to operations from inception of these leases in excess of required lease payments.

Concentration of credit risks: Financial instruments that potentially subject the Committee to concentration of credit risk consist primarily of cash and cash equivalents maintained at U.S. financial institutions, which at times exceed the Federal Deposit Insurance Corporation insurance limits; cash maintained in foreign banks; investments; and unconditional promises to give, which include significant contributions by certain donors.

Prior-year summarized information: The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the prior-year financial statements from which the summarized information was derived.

Reclassification: For comparison, certain 2014 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2015. Such reclassifications had no effect on the reported 2014 total assets, liabilities, net assets and change in net assets.

Use of estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Evaluation of subsequent events: The Committee evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was January 21, 2016 for these financial statements.

Recently Adopted or Issued Accounting Standards: In October 2012, the FASB issued Accounting Standards Update (ASU) 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The amendments in this update require a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the not-for-profit entity. The Committee adopted ASU 2012-05 and, accordingly, reclassified the year ended June 30, 2014 proceeds from sale of donated securities of \$123,269 from investing activities to operating activities in the statement of cash flows.

Note 3. Unconditional Promises to Give

Unconditional promises to give at June 30, 2015 and 2014 consist of the following:

	2015	2014
Gross unconditional promises to give	\$ 8,677,529	\$ 8,214,980
Less allowance for doubtful promises to give	(222,792)	(324,310)
Unamortized discount (interest rates range from 0.55% to 6.50%)	(328,120)	(152,399)
Net unconditional promises to give	\$ 8,126,617	\$ 7,738,271
Amounts due in		
Less than one year	\$ 3,731,225	\$ 4,989,516
One to five years	4,593,806	2,837,964
More than five years	352,498	387,500
	\$ 8,677,529	\$ 8,214,980

A summary of the changes in the allowance for doubtful promises to give for the years ended June 30, 2015 and 2014 is as follows:

	2015	2014
Balance at beginning of year	\$ 324,310	\$ 354,716
Provision for doubtful accounts	15,000	15,000
Recoveries	(85,118)	(26,850)
Accounts written off	(31,400)	(18,556)
Balance at end of year	\$ 222,792	\$ 324,310

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 3. Unconditional Promises to Give (Continued)

Two donors accounted for approximately 54% of the gross unconditional promises to give at June 30, 2015. Contributions received from these donors account for 45% of 2015 reported contributions and unconditional promises to give. One donor accounted for 33% of gross unconditional promises to give at June 30, 2014. Contributions received from this donor accounted for 21% of reported contributions and unconditional promised to give at June 30, 2014.

Note 4. Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets were restricted for the following as of June 30, 2015 and 2014 as follows:

	2015	2014
Time and program specific pledges	\$ 7,183,617	\$ 3,463,281
Time-restricted pledges	1,977,985	3,850,172
Time-restricted for split interest agreements	3,989,633	4,182,638
Program specific - investments held for endowment	1,356,554	1,585,417
	<u>\$ 14,507,789</u>	<u>\$ 13,081,508</u>

Permanently restricted net assets as of June 30, 2015 and 2014, representing investments to be held in perpetuity, generate income which are available to support the hospital in Jerusalem.

Note 5. Investments

Investments at June 30, 2015 and 2014, which include investments held under split-interest agreements (see Note 6), are summarized as follows:

	2015	2014
U.S. Treasury and other government agency obligations	\$ 2,285,464	\$ 2,288,096
Cash and cash equivalents	192,180	403,397
Mutual funds	10,203,668	9,362,831
Equity securities	1,642,169	2,367,015
Corporate Bonds and notes	1,217,329	1,653,546
Real estate trust	35,681	39,393
Insurance annuities	58,578	55,958
Subtotal, investments at fair value	<u>15,635,069</u>	<u>16,170,236</u>
Real estate holding, at cost	737,931	737,931
Total investments	<u>\$ 16,373,000</u>	<u>\$ 16,908,167</u>

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 5. Investments (Continued)

Investments are held for the following purposes:

	2015	2014
Endowments	\$ 11,385,592	\$ 11,368,789
Annuities	3,989,633	4,182,640
Others	997,775	1,356,738
Total investments	\$ 16,373,000	\$ 16,908,167

One financial institution holds approximately 70% and 67% of investments at June 30, 2015 and 2014, respectively.

Note 6. Property and Equipment, Net

Property and equipment, net, at cost, at June 30, 2015 and 2014 is summarized as follows:

	2015	2014
Furniture and equipment	\$ 118,349	\$ 134,509
Leasehold improvements	7,000	7,000
	125,349	141,509
Less accumulated depreciation and amortization	(103,966)	(108,033)
	\$ 21,383	\$ 33,476

Depreciation and amortization amounted to \$12,093 and \$13,127 for the years ended June 30, 2015 and 2014, respectively.

Note 7. Split-Interest Agreements

The Committee's split-interest agreements with donors consist of charitable gift annuities and irrevocable charitable remainder trusts for which the Committee serves as trustee. Assets are invested, and payments are made to donors and other beneficiaries, or both, in accordance with the respective agreements.

Contributions revenue for charitable gift annuities and charitable remainder trusts is recognized at the date the agreement is established. The present values of the estimated future payments to be made to the respective donors or other beneficiaries under these agreements are recorded as liabilities. Such liabilities are adjusted annually, based on actuarially determined mortality rates and risk adjusted discount rates. The discount rates used was 2.2% at June 30, 2015 and 2014. Gains and losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset class in the statement of activities.

At June 30, 2015 and 2014, the Committee's investments associated with split-interest agreements include the New York State Segregated Gift Annuity Reserve in the amount of \$2,532,496 and \$2,501,822, respectively, and the California Gift Annuity Reserve in the amount of \$867,048 and \$991,116, respectively. These reserve amounts are restricted for the payments of annuity obligations only.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 8. Fair Value Measurements

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of inputs used to measure their fair value. Level inputs are defined as follows:

- Level 1 Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2 Observable inputs other than Level 1, including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.
- Level 3 Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single-dealer quotes not corroborated by observable market data.

The following tables present the Committee's fair value hierarchy for financial instruments measured at fair value on a recurring basis at June 30:

Description	2015			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 192,180	\$ 192,180	\$ -	\$ -
Fixed income securities:				
U.S. treasury and other U.S. government agency obligations	2,285,464	-	2,285,464	-
Corporate bonds	696,390	-	696,390	-
Foreign bonds	123,900	-	-	123,900
Municipal bonds	397,039	-	397,039	-
Marketable equity securities:				
U.S. strategic value	1,331,952	1,331,952	-	-
U.S. strategic growth	239,372	239,372	-	-
Large cap	32,240	32,240	-	-
International	38,605	38,605	-	-
Mutual funds:				
Fixed income	3,988,037	3,988,037	-	-
Equities	4,524,100	4,524,100	-	-
Real estate	67,035	67,035	-	-
International	516,072	516,072	-	-
Alternative investments	1,108,424	1,108,424	-	-
Investment in real estate trust	35,681	35,681	-	-
Insurance annuities	58,578	-	-	58,578
Total investments	\$ 15,635,069	\$ 12,073,698	\$ 3,378,893	\$ 182,478
Liabilities under split-interest agreements	\$ 2,321,516	\$ -	\$ -	\$ 2,321,516

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 8. Fair Value Measurements (Continued)

Description	2014			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 403,397	\$ 403,397	\$ -	\$ -
Fixed income securities:				
U.S. treasury and other U.S. government agency obligations	2,288,096	-	2,288,096	-
Corporate bonds	1,101,203	-	743,203	358,000
Foreign bonds	123,900	-	-	123,900
Municipal bonds	428,443	-	428,443	-
Marketable equity securities:				
U.S. strategic value	297,163	297,163	-	-
U.S. strategic growth	281,098	281,098	-	-
Large cap	1,715,791	1,715,791	-	-
International	72,963	72,963	-	-
Mutual funds:				
Fixed income	3,718,017	3,718,017	-	-
Equities	3,666,895	3,666,895	-	-
Real estate	70,882	70,882	-	-
International	557,096	557,096	-	-
Alternative investments	1,349,941	1,349,941	-	-
Investment in real estate trust	39,393	39,393	-	-
Insurance annuities	55,958	-	-	55,958
Total investments	\$ 16,170,236	\$ 12,172,636	\$ 3,459,742	\$ 537,858
Liabilities under split-interest agreements	\$ 2,458,256	\$ -	\$ -	\$ 2,458,256

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Committee's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

All transfers between fair value hierarchy levels are recognized by the Committee at the end of each year. There were no transfers during 2015 and 2014.

Below are the valuation techniques used by the Committee to measure different financial instruments at fair value and the level within the fair value hierarchy in which the financial instrument is categorized.

Fixed income securities, such as U.S. government debt, municipal bonds, and corporate bonds are valued based on the last reported bid price provided by broker-dealers, and are reported as Level 2 in the fair value hierarchy.

Marketable equity securities listed on a national securities exchange are stated at the last reported sales or trade price on the day of valuation, and reported as Level 1 in the fair value hierarchy.

Mutual funds are stated at fair value based on the last sales, quoted, bid, or evaluation price, and are classified as Level 1 in the fair value hierarchy.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 8. Fair Value Measurements (Continued)

Financial instruments classified as Level 3 in the fair value hierarchy represent the Committee's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. Corporate and foreign bonds are stated at face value which approximates fair value. The fair value of liabilities under split-interest agreements is determined using current discount rate assumptions described in Note 6.

The following table presents the reconciliation for Level 3 assets and liabilities measured at fair value during the years ended June 30, 2015 and 2014:

	2015		2014	
	Investments	Liabilities Under Split-Interest Agreements	Investments	Liabilities Under Split-Interest Agreements
Balance, beginning of year	\$ 537,858	\$ 2,458,256	\$ 586,089	\$ 3,193,937
Net realized/unrealized gains	2,620	-	1,769	-
Net redemptions during the year	-	-	(50,000)	-
Loss of disposition of investment	(358,000)	-	-	-
New agreements	-	65,664	-	35,477
Payments	-	(545,977)	-	(591,343)
Terminated annuities	-	(39,536)	-	(401,843)
Change in value	-	383,109	-	222,028
Balance, end of year	<u>\$ 182,478</u>	<u>\$ 2,321,516</u>	<u>\$ 537,858</u>	<u>\$ 2,458,256</u>

Note 9. Endowments

The Committee maintains endowment funds consisting of permanently restricted, temporarily restricted and unrestricted (board-designated) net assets. The Committee is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA), and has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The remaining portion of the endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Committee in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The assets of these funds consist primarily of investments. The Committee's approach to the management of these investments is to optimize the risk-return relationship appropriate to its needs. The Committee's investment goal is to use a globally diverse portfolio of net asset classes using mutual funds or managed portfolios, and to "buy and hold" the selected securities and periodically re-optimize or re-balance. All appreciation and income on these investments are available for expenditures, unless specifically restricted by the donor. Appropriation for expenditures is reviewed on an annual basis by the Committee. The Committee appropriated \$404,617 and \$1,216,345 for expenditures in 2015 and 2014, respectively.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 9. Endowments (Continued)

Below is a summary of the Committee's endowment-related activities.

	2015				
	Unrestricted - Board- Designated	Donor-Restricted			Total
		Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, July 1, 2014	\$ 2,810,819	\$ (55,490)	\$ 1,585,418	\$ 7,028,042	\$ 11,368,789
Interest and dividends, net of fees	48,473	10,727	142,373	-	201,573
Net realized and unrealized gains on investments	(23,741)	(2,580)	(69,732)	-	(96,053)
Contributions and other additions	-	-	-	315,900	315,900
Appropriation of endowment assets for expenditure	(98,500)	(4,617)	(301,500)	-	(404,617)
Change in endowment net assets	(73,768)	3,530	(228,859)	315,900	16,803
Endowment net assets, June 30, 2015	\$ 2,737,051	\$ (51,960)	\$ 1,356,559	\$ 7,343,942	\$ 11,385,592
	2014				
	Unrestricted - Board- Designated	Donor-Restricted			Total
		Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, July 1, 2013	\$ 3,026,717	\$ (198,348)	\$ 1,560,436	\$ 6,696,207	\$ 11,085,012
Interest and dividends, net of fees	49,612	10,507	127,044	-	187,163
Net realized and unrealized gains on investments	234,183	3,708	599,683	-	837,574
Contributions and other additions	-	143,550	-	331,835	475,385
Appropriation of endowment assets for expenditure	(82,438)	(14,907)	(119,000)	-	(216,345)
Appropriation of endowment assets for payment on other liabilities	(417,255)	-	(582,745)	-	(1,000,000)
Change in endowment net assets	(215,898)	142,858	24,982	331,835	283,777
Endowment net assets, June 30, 2014	\$ 2,810,819	\$ (55,490)	\$ 1,585,418	\$ 7,028,042	\$ 11,368,789

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Committee to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets, and amounted to \$51,960 and \$55,490 as of June 30, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain expenditures that were deemed prudent by the Committee.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

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Note 10. Commitments

The Committee leases office space in New York City and in various locations throughout the United States. All of the leases are classified as operating leases and are subject to the customary escalation clauses for real estate taxes and building operating expenses. Future minimum lease commitments (excluding escalations) under these leases are as follows:

<u>Year Ending June 30,</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
2016	\$ 308,645	\$ 20,809	\$ 329,454
2017	311,747	17,844	329,591
2018	315,302	15,279	330,581
2019	322,485	7,713	330,198
2020	329,849	-	329,849
Thereafter	421,745	-	421,745
	<u>\$ 2,009,773</u>	<u>\$ 61,645</u>	<u>\$ 2,071,418</u>

Rent expense for the years ended June 30, 2015 and 2014 was approximately \$301,000 and \$298,000, respectively.

Note 11. Employee Benefit Plan

The Committee has a 403(b) plan covering all of its eligible employees. Under the plan, the Committee has sole discretion as to the amount of any employer contributions. Employer contributions to the plan was approximately \$104,000 and \$102,000 for 2015 and 2014, respectively.