American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Financial Report
June 30, 2017

Contents

Independent Auditor's Report

Board of Trustees
American Committee for Shaare
Zedek Hospital in Jerusalem, Inc.

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, 2017, 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, 2016, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 15, 2018

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Statement of Financial Position
June 30, 2017
(with summarized comparative financial information as of June 30, 2016)

	2017	2016
Assets		
Cash and cash equivalents	$ 1,787,457	$ 2,066,734
Unconditional promises to give, net	3,105,360	5,714,024
Prepaid expenses and other assets	117,667	465,701
Investments	16,330,819	15,103,237
Property and equipment, net, at cost	56,355	9,290
Total assets	$ 21,397,658	$ 23,358,986
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 90,341	$ 120,089
Deferred rent obligation	153,444	170,928
Deferred event revenue	-	593,380
Liabilities under split-interest agreements	2,101,555	1,637,223
Total liabilities	2,345,340	2,521,620
Commitments		
Net assets:		
Unrestricted:		
Board-designated for endowments	2,751,390	2,670,099
Undesignated	(64,732)	(426,466)
Total unrestricted	2,686,658	2,243,633
Temporarily restricted	8,908,331	11,141,404
Permanently restricted	7,457,329	7,452,329
Total net assets	19,052,318	20,837,366
Total liabilities and net assets	$ 21,397,658	$ 23,358,986

See notes to financial statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Statement of Activities
Year Ended June 30, 2017
(with summarized comparative financial information for the year ended June 30, 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Summarized Financial Information
Support, revenue, gains and losses:					
Contributions and unconditional promises to give, net	$ 14,277,714	$ 1,576,202	$ 5,000	**$ 15,858,916**	$ 12,941,510
Legacies and bequests	1,329,800	-	-	**1,329,800**	3,018,806
Special events, net of direct expenses for direct benefit to donors of $941,644 and $408,672, respectively	1,261,504	-	-	**1,261,504**	946,444
Investment income	174,679	235,689	-	**410,368**	386,215
Net realized and unrealized gain (loss) on investments	69,627	628,729	-	**698,356**	(230,826)
Government grants	11,305	-	-	**11,305**	1,810,755
Other income	2,629	-	-	**2,629**	814
Change in value of split-interest agreements	-	(414,153)	-	**(414,153)**	(242,612)
Net assets released from restrictions - satisfaction of time and purpose restrictions	4,249,540	(4,249,540)	-	**-**	-
Total support, revenue, gains and losses	21,376,798	(2,223,073)	5,000	**19,158,725**	18,631,106
Expenses:					
Program services - payments to or on behalf Shaare Zedek Hospital	18,178,938	-	-	**18,178,938**	20,366,603
Supporting services:					
Management and general	832,369	-	-	**832,369**	799,355
Fund-raising	1,922,466	-	-	**1,922,466**	1,910,159
Total supporting services	2,754,835	-	-	**2,754,835**	2,709,514
Total expenses	20,933,773	-	-	**20,933,773**	23,076,117
Change in net assets before other changes	443,025	(2,223,073)	5,000	**(1,775,048)**	(4,445,011)
Other changes in net assets:					
Losses on uncollectible pledges	-	(10,000)	-	**(10,000)**	(19,000)
Change in net assets	443,025	(2,233,073)	5,000	**(1,785,048)**	(4,464,011)
Net assets:					
Beginning	2,243,633	11,141,404	7,452,329	**20,837,366**	25,301,377
Ending	$ 2,686,658	$ 8,908,331	$ 7,457,329	**$ 19,052,318**	$ 20,837,366

See notes to financial statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Statement of Functional Expenses
Year Ended June 30, 2017
(with summarized comparative financial information for the year ended June 30, 2016)

	2017				2016
	Program Services	**Supporting Services**			
	Payments to or on Behalf of Shaare Zedek Hospital	**Management and General**	**Fund-Raising**	**Total**	Summarized Financial Information
Salaries and temporary help	$ 581,857	$ 433,355	$ 989,836	**$ 2,005,048**	$ 2,012,134
Payroll taxes and employee benefits	132,751	105,491	211,392	**449,634**	455,545
Total salaries and related expenses	714,608	538,846	1,201,228	**2,454,682**	2,467,679
Shaare Zedek Hospital	16,909,152	-	-	**16,909,152**	19,100,516
Occupancy	72,586	54,440	235,906	**362,932**	370,807
Office supplies	10,865	10,865	32,594	**54,324**	54,591
Telephone	12,605	15,126	22,689	**50,420**	52,083
Postage and shipping	20,381	20,381	61,142	**101,904**	86,341
Computer services	21,553	34,484	51,726	**107,763**	109,737
Insurance	-	40,227	-	**40,227**	40,079
Professional fees and contracted services	221,172	18,681	56,042	**295,895**	317,153
Printing and brochures	12,089	9,067	27,200	**48,356**	33,947
Publicity and public relations	34,998	34,998	104,993	**174,989**	146,546
Travel and automobile	26,908	11,986	35,958	**74,852**	60,627
Meetings and conferences	1,472	858	2,575	**4,905**	25,873
Depreciation and amortization	-	12,273	-	**12,273**	12,093
Miscellaneous	120,549	30,137	90,413	**241,099**	198,045
Total - 2017	$ 18,178,938	$ 832,369	$ 1,922,466	**$ 20,933,773**	
Ratio to total expenses - 2017	87%	4%	9%	**100%**	
Total - 2016	$ 20,366,603	$ 799,355	$ 1,910,159		$ 23,076,117
Ratio to total expenses - 2016	88%	4%	8%		100%

See notes to financial statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Statement of Cash Flows
Year Ended June 30, 2017
(with summarized comparative financial information for the year ended June 30, 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	**$ (1,785,048)**	$ (4,464,011)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net bad debt (recoveries)	**(15,318)**	(44,414)
Discount on pledges receivable	**(137,503)**	12,425
Depreciation and amortization	**12,273**	12,093
Amortization of deferred rent obligation	**(17,484)**	6,553
Investment income restricted for reinvestment	**(235,689)**	(215,905)
Net realized and unrealized (gain) loss on investments	**(698,356)**	230,826
Change in value of split-interest agreements	**414,153**	242,612
Restricted contributions	**(668,920)**	(67,462)
Changes in operating assets and liabilities:		
Decrease in unconditional promises to give	**2,761,485**	2,444,582
Decrease (increase) in prepaid expenses and other assets	**348,034**	(332,451)
(Decrease) increase in deferred event revenue	**(593,380)**	593,380
Decrease in accounts payable and accrued expenses	**(29,748)**	(1,945)
Net cash used in operating activities	**(645,501)**	(1,583,717)
Cash flows from investing activities:		
Proceeds from sale of investments	**8,692,802**	6,068,096
Purchases of investments	**(9,222,028)**	(5,029,159)
Purchases of equipment	**(59,338)**	-
Net cash (used in) provided by investing activities	**(588,564)**	1,038,937
Cash flows from financing activities:		
Contributions restricted for endowments	**15,000**	47,747
Contributions restricted for investment subject to split-interest agreements	**653,920**	19,715
Investment income restricted for reinvestments	**235,689**	215,905
Payments associated with split-interest agreements	**(402,767)**	(478,865)
Decrease (increase) in obligations associated with split-interest agreements	**452,946**	(448,040)
Net cash provided by (used in) financing activities	**954,788**	(643,538)
Net change in cash and cash equivalents	**(279,277)**	(1,188,318)
Cash and cash equivalents:		
Beginning	**2,066,734**	3,255,052
Ending	**$ 1,787,457**	$ 2,066,734

See 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, 2017, are held by one financial institution which, at times, may exceed federally insured limits.

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. These are considered to be Level 3 inputs in the fair value hierarchy. 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 $570,673 and $93,083 during the years ended June 30, 2017 and 2016, 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 8. 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.

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, 2014, 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.

Deferred event revenue: Deferred event revenue represents monies received in advance for a future event, which will be recognized in the statement of activities when the event occurs.

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.

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.

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 15, 2018 for these financial statements.

Recently Issued Accounting Standards: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Committee has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Committee is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In August, 2016, the FASB issued ASU 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. Management has not evaluated the impact of this ASU on the financial statements.

In August 2016, the FASB issued ASU 2016-15 - *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (A Consensus of the FASB Emerging Issues Task Force).* The amendments in this ASU provide guidance reducing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under. The ASU will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Earlier adoption is permitted. Management has not evaluated the impact of this ASU on the financial statements.

Note 3. Unconditional Promises to Give

Unconditional promises to give at June 30, 2017 and 2016, consist of the following:

	2017	2016
Gross unconditional promises to give	$ 3,471,462	$ 6,232,947
Less allowance for doubtful promises to give	(163,060)	(178,378)
Unamortized discount (interest rates range from 0.55% to 6.50%)	(203,042)	(340,545)
Net unconditional promises to give	$ 3,105,360	$ 5,714,024
Amounts due in		
Less than one year	$ 669,967	$ 805,348
One to five years	2,558,996	5,230,100
More than five years	242,499	197,499
	$ 3,471,462	$ 6,232,947

A summary of the changes in the allowance for doubtful promises to give for the years ended June 30, 2017 and 2016, is as follows:

	2017	2016
Balance at beginning of year	$ 178,378	$ 222,792
Provision for doubtful accounts	-	5,000
Recoveries	(10,318)	(35,914)
Accounts written off	(5,000)	(13,500)
Balance at end of year	$ 163,060	$ 178,378

Three donors accounted for approximately 52% of the gross unconditional promises to give at June 30, 2017. Contributions received from these donors account for 6% of 2017 reported contributions and unconditional promises to give. Two donors accounted for approximately 56% of the gross unconditional promises to give at June 30, 2016. Contributions received from these donors account for 19% of 2016 reported contributions and unconditional promises to give.

Note 4. Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets were restricted for the following as of June 30:

	2017	2016
Time and program specific pledges	$ 3,589,256	$ 6,982,170
Time-restricted for split interest agreements	3,943,081	3,063,030
Program-specific investments held for endowment	1,375,994	1,096,204
	$ 8,908,331	$ 11,141,404

Note 4. Temporarily Restricted and Permanently Restricted Net Assets (Continued)

Net assets released from donor restrictions by incurring expenses satisfying the purposes or by occurrence of other events specified by donor or passage of time are as follows for the year ended June 30:

	2017	2016
Time and program specific pledges	$ 3,822,566	$ 4,965,108
Termination of split interest agreements	200,974	467,755
Endowment earnings appropriated for expenditures	226,000	267,500
	$ 4,249,540	$ 5,700,363

Permanently restricted net assets as of June 30, 2017 and 2016, representing investments to be held in perpetuity, generate income which is available to support the hospital in Jerusalem.

Note 5. Investments

Investments at June 30, 2017 and 2016, which include investments held under split-interest agreements (see Note 7), are summarized as follows:

	2017	2016
Cash and cash equivalents	275,941	284,302
Fixed income securities	$ 3,797,836	$ 3,345,809
Marketable equity securities	6,188,388	1,259,708
Mutual funds	5,244,477	9,382,465
Investment in real estate trust	31,278	43,280
Insurance annuities	54,968	49,742
Subtotal, investments at fair value	15,592,888	14,365,306
Real estate holding, at cost	737,931	737,931
Total investments	$ 16,330,819	$ 15,103,237

Investments are held for the following purposes as of June 30:

	2017	2016
Endowments	$ 11,483,665	$ 11,131,091
Annuities	3,943,081	3,063,030
Others	904,073	909,116
Total investments	$ 16,330,819	$ 15,103,237

One financial institution holds approximately 70% and 74% of investments at June 30, 2017 and 2016, respectively. These investments are diversified between numerous managers and investment types.

Note 6. Property and Equipment, Net

Property and equipment at cost (net) at June 30, 2017 and 2016, is summarized as follows:

	2017	2016
Furniture and equipment	$ 166,955	$ 107,617
Leasehold improvements	7,000	7,000
	173,955	114,617
Less accumulated depreciation and amortization	(117,600)	(105,327)
	$ 56,355	$ 9,290

Depreciation and amortization amounted to $12,273 and $12,093 for fiscal years ended June 30, 2017 and 2016, 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 rate used was 2.4% and 1.8% at June 30, 2017 and 2016, respectively. 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, 2017 and 2016, the Committee's investments associated with split-interest agreements include the New York State Segregated Gift Annuity Reserve in the amount of $2,112,933 and $2,056,156, respectively, and the California Gift Annuity Reserve in the amount of $1,435,803 and $543,452, respectively. These reserve amounts are restricted for the payments of annuity obligations only.

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.

Note 8. Fair Value Measurements (Continued)

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:

	2017			
Description	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	$ 275,941	$ 275,941	$ -	$ -
Fixed income securities:				
U.S. treasury and other U.S. government agency obligations	2,663,228	-	2,663,228	-
Corporate bonds	701,847	-	701,847	-
Foreign bonds	75,900	-	-	75,900
Municipal bonds	356,861	356,861	-	-
Marketable equity securities:				
U.S. strategic value	1,167,582	1,167,582	-	-
U.S. strategic growth	4,982,139	4,982,139	-	-
International	38,667	38,667	-	-
Mutual funds:				
Fixed income	3,858,359	3,858,359	-	-
Real estate	67,789	67,789	-	-
International	535,044	535,044	-	-
Alternative investments	783,285	783,285	-	-
Investment in real estate trust	31,278	31,278	-	-
Insurance annuities	54,968	-	-	54,968
Total investments	$ 15,592,888	$ 12,096,945	$ 3,365,075	$ 130,868
Liabilities under split-interest agreements	$ 2,101,555	$ -	$ -	$ 2,101,555

Note 8. Fair Value Measurements (Continued)

	2016			
Description	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	$ 284,302	$ 284,302	$ -	$ -
Fixed income securities:				
U.S. treasury and other U.S. government agency obligations	2,161,302	-	2,161,302	-
Corporate bonds	730,896	-	730,896	-
Foreign bonds	74,900	-	-	74,900
Municipal bonds	378,711	378,711	-	-
Marketable equity securities:				
U.S. strategic value	1,052,445	1,052,445	-	-
U.S. strategic growth	176,316	176,316	-	-
Large cap	-	-	-	-
International	30,947	30,947	-	-
Mutual funds:				
Fixed income	4,156,159	4,156,159	-	-
Equities	4,017,123	4,017,123	-	-
Real estate	52,469	52,469	-	-
International	408,088	408,088	-	-
Alternative investments	748,626	748,626	-	-
Investment in real estate trust	43,280	43,280	-	-
Insurance annuities	49,742	-	-	49,742
Total investments	$ 14,365,306	$ 11,348,466	$ 2,892,198	$ 124,642
Liabilities under split-interest agreements	$ 1,637,223	$ -	$ -	$ 1,637,223

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 2017 and 2016.

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 and investment in real estate trust 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.

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. 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 7. The insurance annuities carrying amount approximates the fair value of life insurance policies, which represents cash surrender value.

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

	2017		2016	
	Investments	Liabilities Under Split-Interest Agreements	Investments	Liabilities Under Split-Interest Agreements
Balance, beginning of year	$ 124,642	$ 1,637,223	$ 182,478	$ 2,321,516
Net redemptions during the year	-	-	(49,000)	-
New agreements	1,000	653,920	-	19,715
Payments	-	(402,767)	-	(478,865)
Terminated annuities	-	(200,974)	-	(467,755)
Change in value	5,226	414,153	(8,836)	242,612
Balance, end of year	$ 130,868	$ 2,101,555	$ 124,642	$ 1,637,223

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 $326,687 and $348,579 for expenditures in 2017 and 2016, respectively.

Note 9. Endowments (Continued)

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

	2017				
	Unrestricted - Board-Designated	Donor-Restricted Unrestricted	Donor-Restricted Temporarily Restricted	Donor-Restricted Permanently Restricted	Total
Endowment net assets, July 1, 2016	$ 2,670,099	$ (37,550)	$ 1,096,213	$ 7,402,329	$ 11,131,091
Interest and dividends, net of fees	53,023	10,524	158,883	-	222,430
Net realized and unrealized gains on investments	115,768	(20,841)	346,904	-	441,831
Contributions and other additions	-	-	-	15,000	15,000
Appropriation of endowment assets for expenditure	(87,500)	(13,187)	(226,000)	-	(326,687)
Change in endowment net assets	81,291	(23,504)	279,787	15,000	352,574
Endowment net assets, June 30, 2017	$ 2,751,390	$ (61,054)	$ 1,376,000	$ 7,417,329	$ 11,483,665

	2016				
	Unrestricted - Board-Designated	Donor-Restricted Unrestricted	Donor-Restricted Temporarily Restricted	Donor-Restricted Permanently Restricted	Total
Endowment net assets, July 1, 2015	$ 2,737,051	$ (51,960)	$ 1,356,559	$ 7,343,942	$ 11,385,592
Interest and dividends, net of fees	47,325	10,670	141,743	-	199,738
Net realized and unrealized gains on investments	(44,931)	15,473	(134,589)	-	(164,047)
Contributions and other additions	-	-	-	58,387	58,387
Appropriation of endowment assets for expenditure	(69,346)	(11,733)	(267,500)	-	(348,579)
Change in endowment net assets	(66,952)	14,410	(260,346)	58,387	(254,501)
Endowment net assets, June 30, 2016	$ 2,670,099	$ (37,550)	$ 1,096,213	$ 7,402,329	$ 11,131,091

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 are reported in unrestricted net assets, and amounted to $61,054 and $37,550 as of June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain expenditures that were deemed prudent by the Committee.

Note 10. Commitments

The Committee leases office space and equipment, including postage and duplication machines, in New York City and in various locations throughout the United States. All of the leases are classified as operating leases. Office leases 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:

	Office Space	Equipment	Total
Years ending June 30:			
2018	$ 341,553	$ 16,193	$ 357,746
2019	326,149	8,931	335,080
2020	329,849	1,218	331,067
2021	337,396	1,218	338,614
2022	84,349	609	84,958
	$ 1,419,296	$ 28,169	$ 1,447,465

Rent expense for both years ended June 30, 2017 and 2016, was approximately $300,000.

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 $97,000 and $101,000 for 2017 and 2016, respectively.