BlumShapiro
Accounting | Tax | Business Consulting

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

CONTENTS

29 South Main Street
P.O. Box 272000
West Hartford, CT 06127-2000

Tel 860.561.4000
Fax 860.521.9241
blumshapiro.com

BlumShapiro
Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Trustees
Cary Institute of Ecosystem Studies, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Cary Institute of Ecosystem Studies, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors consider 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 Cary Institute of Ecosystem Studies, Inc., as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1, during the year ended June 30, 2015, Cary Institute of Ecosystem Studies, Inc. elected early adoption of Accounting Standards Update No. 2015-07, *Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments require retrospective application. As a result, certain amounts related to investments have been reclassified as of and for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2016 on our consideration of Cary Institute of Ecosystem Studies, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cary Institute of Ecosystem Studies, Inc.'s internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
January 8, 2016

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 2,194,041	$ 3,521,441
Investments	114,370,668	113,865,994
Grants and contracts receivable	1,001,865	1,092,610
Pledge receivable	65,000	25,000
Other assets	293,310	257,955
Property and equipment, net	6,619,352	6,763,226
Total Assets	$ 124,544,236	$ 125,526,226
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 51,205	$ 135,959
Deferred revenue	357,786	555,453
Accrued vacation	566,345	575,207
Postretirement benefits	479,302	492,831
Capital lease obligation	19,759	24,667
Total liabilities	1,474,397	1,784,117
Net Assets		
Unrestricted	25,039,701	24,316,051
Temporarily restricted	17,546,605	18,942,901
Permanently restricted	80,483,533	80,483,157
Total net assets	123,069,839	123,742,109
Total Liabilities and Net Assets	$ 124,544,236	$ 125,526,226

The accompanying notes are an integral part of the financial statements

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Government grants and contracts	$ 4,281,780	$ -	$ -	$ 4,281,780
Membership income	408,053	50,000	-	458,053
Private grants and contributions	364,759	-	376	365,135
Other income	365,204	-	-	365,204
Auxiliary enterprises	100,759	-	-	100,759
Tuition and fees	39,220	-	-	39,220
Investment return designated for operations	-	4,986,924	-	4,986,924
Net assets released from restrictions	4,986,924	(4,986,924)	-	-
Total operating revenues	10,546,699	50,000	376	10,597,075
Operating Expenses				
Program services:				
Science	6,073,207	-	-	6,073,207
Education	695,361	-	-	695,361
Auxiliary enterprises	408,709	-	-	408,709
Outreach, public programs and visitation	296,088	-	-	296,088
Library	279,222	-	-	279,222
Grounds	237,446	-	-	237,446
Total program services	7,990,033	-	-	7,990,033
Supporting services:				
Finance and administration	1,549,513	-	-	1,549,513
Executive management	450,798	-	-	450,798
Development	369,301	-	-	369,301
Total supporting services	2,369,612	-	-	2,369,612
Total operating expenses	10,359,645	-	-	10,359,645
Operating revenues in excess of operating expenses	187,054	50,000	376	237,430
Other Changes in Net Assets				
Investment gain (loss), net in excess of amounts designated for operations	536,596	(1,446,296)	-	(909,700)
Increase (Decrease) in Net Assets	723,650	(1,396,296)	376	(672,270)
Net Assets - Beginning of Year	24,316,051	18,942,901	80,483,157	123,742,109
Net Assets - End of Year	$ 25,039,701	$ 17,546,605	$ 80,483,533	$ 123,069,839

The accompanying notes are an integral part of the financial statements

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Government grants and contracts	$ 3,940,311	$ -	$ -	$ 3,940,311
Membership income	478,502	-	-	478,502
Private grants and contributions	408,442	-	50,487	458,929
Other income	295,658	-	-	295,658
Auxiliary enterprises	85,034	-	-	85,034
Tuition and fees	33,639	-	-	33,639
Investment return designated for operations	-	4,897,630	-	4,897,630
Net assets released from restrictions	4,897,630	(4,897,630)	-	-
Total operating revenues	10,139,216	-	50,487	10,189,703
Operating Expenses				
Program services:				
Science	5,512,230	-	-	5,512,230
Education	743,243	-	-	743,243
Auxiliary enterprises	394,044	-	-	394,044
Outreach, public programs and visitation	290,931	-	-	290,931
Library	263,457	-	-	263,457
Grounds	245,879	-	-	245,879
Total program services	7,449,784	-	-	7,449,784
Supporting services:				
Finance and administration	1,669,701	-	-	1,669,701
Executive management	472,401	-	-	472,401
Development	352,131	-	-	352,131
Total supporting services	2,494,233	-	-	2,494,233
Total operating expenses	9,944,017	-	-	9,944,017
Operating revenues in excess of operating expenses	195,199	-	50,487	245,686
Other Changes in Net Assets				
Investment gain in excess of amounts designated for operations	2,100,477	9,692,265	-	11,792,742
Increase in Net Assets	2,295,676	9,692,265	50,487	12,038,428
Net Assets - Beginning of Year	22,020,375	9,250,636	80,432,670	111,703,681
Net Assets - End of Year	$ 24,316,051	$ 18,942,901	$ 80,483,157	$ 123,742,109

The accompanying notes are an integral part of the financial statements

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ (672,270)	$ 12,038,428
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	353,638	349,521
Gain on disposal of equipment	(7,000)	-
Contributions restricted for endowment	-	(50,487)
Donated equipment	-	(10,000)
Realized and unrealized gains on investments, net	(4,875,065)	(17,312,273)
(Increase) decrease in operating assets:		
Grants and contracts receivable	90,745	70,664
Pledge receivable	(50,000)	25,000
Other assets	(35,355)	(56,882)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(84,754)	(199,996)
Deferred revenue	(197,667)	82,002
Accrued vacation	(8,862)	11,282
Postretirement benefits	(13,529)	11,571
Net cash used in operating activities	(5,500,119)	(5,041,170)
Cash Flows from Investing Activities		
Proceeds from sale of investments	35,964,190	25,851,052
Purchase of investments	(31,594,175)	(18,974,468)
Purchase of property and equipment	(209,764)	(191,809)
Proceeds from sale of equipment	7,000	-
Net cash provided by investing activities	4,167,251	6,684,775
Cash Flows from Financing Activities		
Proceeds from contributions to endowment	10,376	25,487
Payments on capital lease obligation	(4,908)	(3,512)
Net cash provided by financing activities	5,468	21,975
Increase (Decrease) in Cash and Cash Equivalents	(1,327,400)	1,665,580
Cash and Cash Equivalents - Beginning of Year	3,521,441	1,855,861
Cash and Cash Equivalents - End of Year	$ 2,194,041	$ 3,521,441

The accompanying notes are an integral part of the financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Cary Institute of Ecosystem Studies, Inc. (the Institute) is a not-for-profit research and educational institution incorporated under the laws of the State of New York. The Institute is dedicated to the creation, dissemination and application of knowledge about ecological systems.

Basis of Accounting and Presentation

The financial statements of the Institute have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of the Institute are reported in the following net asset categories:

Unrestricted Net Assets
Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Trustees.

Temporarily Restricted Net Assets
Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure and accumulated investment gains and income on endowment investments that have not been appropriated for expenditure.

Permanently Restricted Net Assets
Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Institute to expend the income earned thereon.

Measure of Operations

The Institute's measure of operations includes all operating revenues and expenses that are an integral part of its programs, including net assets released from donor restrictions to support operations. The measure of operations also includes distributions from the endowment in accordance with the Institute's endowment spending policy. The measure of operations excludes income and gains or losses on endowment that exceed or are less than the distribution determined by the spending policy and other nonendowment related investment income.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less. As of June 30, 2015 and 2014, endowed cash of $560,422 and $2,015,460, respectively, was included in cash and cash equivalents on the statements of financial position. The Institute maintains deposits in financial institutions that may, at times, exceed federal and other depository insurance limits. Management believes that the Institute's deposits are not subject to significant credit risk.

Investment Valuation and Income Recognition

The Institute's investment portfolio consists of a wide range of securities and investment vehicles whose purpose is to help support the cost of the Institute's operations. Investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Investments in marketable equity and all debt securities are reported at market value in the statements of financial position. However, certain assets in the portfolio relate to investments in a variety of limited partnerships. These partnerships, in turn, may invest in listed and unlisted stocks, corporate bonds and other fixed income securities, as well as other limited partnerships and financial instruments that are illiquid, and may also engage in various forms of arbitrage. As a result, the market value of certain partnership investments is, of necessity, based on estimates as discussed in Note 2. These estimated values could differ significantly from values that would have been determined had there been a ready market for the underlying investments. Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Institute's gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses on these investments are reported in the statement of activities and changes in net assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Property and Equipment

Property and equipment acquisitions and improvements thereon that exceed $5,000 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives, which range from 4 to 35 years. Repairs and maintenance are charged to expense as incurred.

Grants and Contracts

Other than certain awards to fund capital expenditures, governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized are presented as deferred revenue.

Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. The Institute reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Income Taxes

The Institute is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code (the Code), and is exempt from federal income tax under Section 501(a) of the Code. Accordingly, no provision for income taxes has been made.

Change in Accounting Principle

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize investments measured at net asset value within the fair value hierarchy tables. The standard is effective for years beginning after December 15, 2016 and early adoption is permitted. The Institute has elected to early adopt ASU 2015-07 for the year ended June 30, 2015.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the current year's presentation.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through January 8, 2016, which represents the date the financial statements were available to be issued.

NOTE 2 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1
Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Institute has the ability to access.

Level 2
Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3
Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

Financial Instruments Measured at Fair Value

The following is a description of the valuation methodologies and investment strategies used for assets measured at fair value:

Money Market Funds
Money market funds are valued at the quoted net asset value of shares reported in the active market in which the funds are traded. The purpose of this investment is to maintain safe, highly liquid assets as opposed to generating significant yield.

Fixed Income
Fixed income is valued at the closing price reported in the active market in which the individual securities are traded. As a result, credit quality is a core emphasis of this allocation. The redemption period for these investments is daily, with no advanced notice.

Equity
Equity is valued at the closing price reported in the active market in which the individual securities are traded. This investment class seeks to provide long-term capital appreciation. Equity managers are selected with the objective of building a portfolio that is diversified by geographic region, economic sector, industry and market capitalization. The objective in selecting equity managers is to generate average annual compounded returns over the relevant broad market indices (i.e., the S&P 500, the Russell 1000, MSCI EAFE and MSCI World), net of fees, over full market cycles (5-10 years). The redemption period for these investments ranges from daily to semiannually, with 0-30 days notice and varying lockup periods.

Alternative Assets
Interests in alternative assets are valued using net asset values as determined by the investment manager of the fund. This net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date. This investment class may include both "absolute return strategies" and long/short "equity hedge" strategies. Absolute return strategies typically involve event-driven, stressed and distressed credit, and spread-based arbitrage investments. Absolute return strategies tend to be both flexible and opportunistic. They incorporate differentiated drivers of return compared to traditional investment strategies, and, as a result, they are expected to produce returns that exhibit relatively low correlation to broad market indices over longer time horizons. Equity hedge managers typically make both long and short investments and produce returns that can be expected to correlate more closely with the performance of the equity markets than would the performance of the absolute return strategies, though with lower volatility than traditional "long only" equity managers. Investments in alternative assets are generally subject to an initial lockup of 12-24 months or longer and thereafter investors can typically withdraw quarterly or annually with advance notice. The managers' underlying investments may themselves be less liquid, but the investment cycle is substantially shorter than for private equity. Over time, alternative assets should generate equity-like returns with lower volatility than equity markets.

Real Assets

Real assets are valued at the quoted net asset value of shares held by the Institute at year end or valued using net asset values as determined by the investment manager of the fund. Real asset strategies tend to be utilized to diversify portfolio risk. They incorporate differentiated drivers of return compared to traditional investment strategies, and, as a result, they are expected to produce returns that exhibit relatively low correlation to broad market indices over longer time horizons.

Hybrid

Interests in hybrid investments are valued using net asset values as determined by the investment manager of the fund. This net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date. This investment class seeks to capitalize on opportunistic investments across the credit spectrum.

Private Investments

Interests in private investments are valued using net asset values as determined by the investment manager of the fund. This net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date. This investment class encompasses diverse strategies including buyout/growth, venture capital and control-oriented distressed. These investments generally have 4-6 year investment periods and approximately 10-year fund lives. Private investments are expected to generate higher returns than public market strategies. The performance of funds raised and managed by the same team following similar strategies can vary significantly from one period to the next. Thus, investment in this asset class requires diversification across not only managers, strategies and geographies but also “vintage years.”

There have been no changes in the methodologies used at June 30, 2015 and 2014.

The following is a summary of the source of fair value measurements for assets as of June 30, 2015 and 2014:

			2015		
			Source of Fair Value Inputs		
Description	**June 30**	**Assets Measured at Net Asset Value (a)**	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 3,884,503	$ -	$ 3,884,503	$ -	$ -
Fixed income:					
Domestic taxable	17,165,732	5,307,438	11,858,294	-	-
Equity:					
Global equity - managed	34,054,630	23,295,263	10,759,367	-	-
Domestic equity - managed	12,738,698	12,738,698	-	-	-
Emerging equities - managed	4,578,058	4,578,058	-	-	-
Alternative assets:					
Absolute return	25,930,986	25,930,986	-	-	-
Equity hedge	6,134,102	6,134,102	-	-	-
Real assets	1,527,318	1,527,318	-	-	-
Hybrid	1,440,012	1,440,012	-	-	-
Private investments:					
Fund of funds	5,570,653	5,570,653	-	-	-
Buyout/growth	1,345,976	1,345,976	-	-	-
Total Assets at Fair Value	$ 114,370,668	$ 87,868,504	$ 26,502,164	$ -	$ -

			2014		
			Source of Fair Value Inputs		
Description	June 30	Assets Measured at Net Asset Value (a)	Level 1	Level 2	Level 3
Money market funds	$ 3,365,553	$ -	$ 3,365,553	$ -	$ -
Fixed income:					
Domestic taxable	17,269,760	5,230,413	12,039,347	-	-
Equity:					
Global equity - managed	37,275,098	25,059,175	12,215,923	-	-
Domestic equity - managed	13,482,312	13,482,312	-	-	-
Emerging equities - managed	1,221,931	1,221,931	-	-	-
Alternative assets:					
Absolute return	27,805,819	27,805,819	-	-	-
Equity hedge	4,159,763	4,159,763	-	-	-
Real assets	2,757,869	848,275	1,909,594	-	-
Hybrid	1,735,095	1,735,095	-	-	-
Private investments:					
Fund of funds	3,722,680	3,722,680	-	-	-
Buyout/growth	1,070,114	1,070,114	-	-	-
Total Assets at Fair Value	$ 113,865,994	$ 84,335,577	$ 29,530,417	$ -	$ -

a. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient, which is a reasonable estimate of fair value, have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

There were no transfers between levels of investments during the years ended June 30, 2015 and 2014.

Additional information regarding investments that report fair value based on net asset value per share or unit as of June 30, 2015 is as follows:

Description	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Fixed income - domestic taxable	$ 5,307,438	$ -	Daily	0 days notice
Global equity - managed	23,295,263	-	Quarterly, semiannually, and every 3rd anniversary expiring 12/31/16	30 days notice
Domestic equity - managed	12,738,698	-	Daily	0 days notice
Emerging equities - managed	4,578,058	-	Annually expiring 1/31/16 and every 5th anniversary expiring 11/1/2019	90 days notice
Absolute return	25,930,986	-	Quarterly, semi-annually, annually and biannually	45-90 days notice
Equity hedge	6,134,102	-	Monthly and every third anniversary expiring 1/1/2016 and 4/1/2016	0-60 days notice
Real assets	1,527,318	3,870,000	Illiquid	Illiquid
Hybrid	1,440,012	129,047	Illiquid	Illiquid
Fund of funds	5,570,653	4,255,000	Illiquid	Illiquid
Buyout/growth	1,345,976	267,829	Illiquid	Illiquid
Total	$ 87,868,504	$ 8,521,876		

The following table presents a summary of investment results for the years ended June 30, 2015 and 2014:

	2015	2014
Investment income	$ 29,163	$ 33,522
Net realized and unrealized gains	4,875,065	17,312,273
Investment fees	(827,004)	(655,423)
Total investment gain	4,077,224	16,690,372
Less distribution from endowment for current operations	(4,986,924)	(4,897,630)
Investment Gain (Loss), Net in Excess of Amounts Designated for Operations	$ (909,700)	$ 11,792,742

Financial Instruments Not Measured at Fair Value

The carrying amounts of cash and cash equivalents, grants and contracts receivable, pledges receivable and accounts payable and accrued expenses approximate their fair value because of the short-term nature of these instruments.

NOTE 3 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of the following at June 30, 2015 and 2014:

	2015	2014
Government agencies (primarily federal agencies)	$ 799,399	$ 830,478
University and other research institutions	199,908	225,033
Foundations	2,558	37,099
	$ 1,001,865	$ 1,092,610

The Institute has been awarded approximately $6.9 million and $8.4 million in grants and contracts that have not been advanced or expended as of June 30, 2015 and 2014, respectively, and, accordingly, are not recognized in the financial statements.

At June 30, 2015 and 2014, grant proceeds in the amount of $313,899 and $524,721, respectively, were advanced to the Institute but not expended and, accordingly, are included in the accompanying financial statements as deferred revenue. Revenue on these grants will be recognized as expenditures as incurred.

NOTE 4 - PLEDGE RECEIVABLE

Unconditional pledge receivable as of June 30, 2015 and 2014, is expected to be collected as follows:

	2015	2014
Receivable in less than one year	$ 30,000	$ 5,000
Receivable in one to five years	35,000	20,000
	$ 65,000	$ 25,000

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2015 and 2014:

	2015	2014
Land	$ 2,601,368	$ 2,601,368
Land improvements	1,002,996	1,002,996
Buildings	8,668,579	8,668,579
Building improvements	5,119,952	5,000,498
Equipment, furniture and fixtures	3,090,675	3,112,654
Construction in progress	-	53,345
	20,483,570	20,439,440
Less accumulated depreciation and amortization	13,864,218	13,676,214
	$ 6,619,352	$ 6,763,226

Depreciation and amortization expense was $353,638 and $349,521 for the years ended June 30, 2015 and 2014, respectively.

NOTE 6 - LEASE COMMITMENT

Capital Lease

The Institute entered into a capital lease for a copier expiring in June 2019. The lease agreement requires monthly principal and interest payments of $165. The Institute also entered into a postage lease agreement expiring April 2019. The lease agreement requires monthly principal and interest payment of $244.

The following is a summary of property under capital lease as of June 30, 2015 and 2014:

	2015	2014
Equipment	$ 25,767	$ 25,767
Less accumulated amortization	6,008	1,100
Net Equipment Under Capital Lease	$ 19,759	$ 24,667

Amortization expense relative to the above property is included in depreciation and amortization expense as disclosed in Note 5.

At June 30, 2015, minimum future payments under the capital leases were as follows:

Year Ending June 30		
2016	$	4,908
2017		4,908
2018		4,908
2019		5,035
Total	$	19,759

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose or time periods at June 30, 2015 and 2014:

	2015	2014
Accumulated gains and income on endowment assets available for appropriation by the Board of Trustees	$ 17,418,151	$ 18,866,501
Future periods	50,000	-
Purpose restrictions:		
Manglesdorf Trust	66,794	65,043
Program initiatives	11,660	11,357
	$ 17,546,605	$ 18,942,901

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions represent the appropriation of accumulated gains and income on permanently endowed assets as approved by the Board of Trustees in the amounts of $4,986,924 and $4,897,630 for the years ended June 30, 2015 and 2014, respectively.

NOTE 9 - ENDOWMENT

GAAP provides accounting standards on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). GAAP also provides for other disclosures concerning an organization's endowment funds whether or not the organization is subject to UPMIFA. The State of New York introduced legislation in 2009, and UPMIFA was enacted in 2010. The Institute's policy has always been to classify accumulated gains and income on donor-restricted endowment assets as temporarily restricted net assets until appropriated for expenditure.

The Institute's endowment consists of a board-designated fund and nine individual funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets for the years ended June 30, 2015 and 2014, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - July 1, 2013	$ 12,584,819	$ 9,184,074	$ 80,432,670	$ 102,201,563
Investment gains	2,144,277	15,145,259	-	17,289,536
Contributions	-	-	50,487	50,487
Endowment assets appropriated for expenditure	-	(4,897,630)	-	(4,897,630)
Management fees	(81,070)	(565,202)	-	(646,272)
Additional board designation	131,895	-	-	131,895
Endowment net assets - June 30, 2014	14,779,921	18,866,501	80,483,157	114,129,579
Investment gains	624,601	4,253,742	-	4,878,343
Contributions	-	-	376	376
Endowment assets appropriated for expenditure	-	(4,986,924)	-	(4,986,924)
Management fees	(102,641)	(715,168)	-	(817,809)
Additional board designation	127,626	-	-	127,626
Endowment Net Assets - June 30, 2015	$ 15,429,507	$ 17,418,151	$ 80,483,533	$ 113,331,191

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Institute to retain as a fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature that are reported in temporarily restricted net assets as of June 30, 2015 and 2014.

Return Objectives and Risk Parameters

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to provide sufficient liquidity, preserve capital in inflation-adjusted terms and grow capital with moderate risk. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). The Institute targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Institute has a policy of appropriating for distribution each year 5% of the endowment fund's average fair value over the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. The actual amount spent was $4,986,924 and $4,897,630 for the years ended June 30, 2015 and 2014, respectively. In establishing this policy, the Institute considered the long-term expected return on its endowment. The policy is consistent with the Institute's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 10 - PENSION AND OTHER POSTRETIREMENT BENEFITS

Retirement benefits for professional staff are provided under a defined contribution program with the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). The Institute makes biweekly contributions to TIAA-CREF based on eligible employees' earnings. Contributions for the years ended June 30, 2015 and 2014, were $409,184 and $440,281, respectively.

The Institute participates in the Cultural Institution Retirement System (CIRS) Pension, 401(k) Savings, and Group Life and Welfare Benefits Plans. Each plan is a multiemployer plan covering employees from multiple cultural institutions and NYC daycare centers.

The CIRS pension plan - EIN number 11-2001170 Plan number 001 - offers benefits related to years of service and final average salary. Eligible employees enter the plan on the first day of the month after completing 12 months of service and attainment of age 21. Participants become 100% vested after five years of service. CIRS is responsible for administering the benefits of the pension plan and investing the plan assets. For the plan years 2015 and 2014, the zone status under the Pension Reform Act is certified by the pension plan's actuary to be in the green zone, and therefore there are no surcharges for the pension plan and no financial improvement plan or rehabilitation plan is required. The Institute's pension expense related to this Plan was $89,888 and $100,490 for the years ended June 30, 2015 and 2014, respectively.

Eligible employees may participate in the 401(k) Savings and Group Life and Welfare Benefits Plans on the first day of the month after completing 3 months of service and attainment of age 21. All participants are required to contribute at least 2% of their salary on either an after-tax basis or a pre-tax basis. In addition, the employer makes matching contributions to the 401(k) plan. As specified in the current Collective Bargaining Agreement, the match was suspended for the plan years beginning July 1, 2013 and July 1, 2014. The Institute's expenses for the 401(k) Savings Plan, Group Life and Welfare Benefits Plans and the administrative costs for all three plans was $14,471 and $17,029 for the years ended June 30, 2015 and 2014, respectively.

In addition, the Institute has a Post-Retirement Medical Plan (the Plan) for eligible retired employees. Under the terms of the Plan, certain medical care expenses are reimbursed subject to a $1,200 limit per eligible retiree for any calendar year. Substantially all of the Institute's employees may become eligible for those benefits when they reach normal retirement age. Included in accrued expenses is a postretirement medical liability of $479,302 and $492,831 for the fiscal years 2015 and 2014, respectively. For the years ended June 30, 2015 and 2014, approximately $27,712 and $26,500 of postretirement benefit expense was recognized, respectively. Payments of $13,351 and $14,300 were made to beneficiaries in fiscal years 2015 and 2014, respectively. This Plan is no longer applicable to new employees who began their employment on or after January 1, 2012.