



THE NEW YORK ACADEMY OF MEDICINE

FINANCIAL STATEMENTS

DECEMBER 31, 2015 and 2014

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The New York Academy of Medicine
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of The New York Academy of Medicine (the "Academy"), which comprise the statements of financial position as of December 31, 2015 and 2014, the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Academy's 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgments, 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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 New York Academy of Medicine as of December 31, 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.

EisnerAmper LLP

New York, New York
June 6, 2016

EISNERAMPER
LLP

THE NEW YORK ACADEMY OF MEDICINE

Statements of Financial Position

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 111,364	\$ 1,051,681
Investments	69,168,235	79,932,154
Contributions and grants receivable	2,033,876	1,675,579
Accounts receivable	125,189	104,358
Prepaid expenses and other assets	349,132	246,285
Property and equipment, net of accumulated depreciation	10,654,780	11,550,592
Beneficial interest in perpetual trust	199,215	209,650
	<u>\$82,641,791</u>	<u>\$94,770,299</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 872,870	\$ 1,267,873
Deferred income	177,240	252,647
Grants payable	102,251	69,500
	<u>1,152,361</u>	<u>1,590,020</u>
Commitments and contingencies (Note I)		
NET ASSETS		
Unrestricted	48,020,390	58,553,425
Board-designated for capital improvements	620,466	877,000
	<u>48,640,856</u>	<u>59,430,425</u>
Temporarily restricted	20,885,579	22,023,004
Permanently restricted	11,962,995	11,726,850
	<u>81,489,430</u>	<u>93,180,279</u>
	<u>\$82,641,791</u>	<u>\$94,770,299</u>

THE NEW YORK ACADEMY OF MEDICINE

Statements of Activities

	Year Ended December 31,			Total
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating support and revenues:				
Operating support:				
Grants and contributions	\$ 297,665	\$ 5,326,395		\$ 5,624,060
Special events revenue (net of direct benefit to donors of \$191,257)	<u>311,633</u>			<u>311,633</u>
Total operating support	<u>609,298</u>	<u>5,326,395</u>		<u>5,935,693</u>
Operating revenues:				
Investment earnings designated for current operations (Note B)	7,093,962			7,093,962
Subscriptions and fees	1,935,098	54,738		1,989,836
Membership dues	161,530			161,530
Miscellaneous	<u>350,049</u>			<u>350,049</u>
Total operating revenues	<u>9,540,639</u>	<u>54,738</u>		<u>9,595,377</u>
Net assets released from restrictions for operations	<u>6,209,408</u>	<u>(6,209,408)</u>		<u>0</u>
Total operating support, revenues and reclassifications	<u>16,359,345</u>	<u>(828,275)</u>		<u>15,531,070</u>
Operating expenses:				
Program services	11,998,132			11,998,132
Management and general	5,082,816			5,082,816
Fund-raising	<u>669,560</u>			<u>669,560</u>
Total operating expenses	<u>17,750,508</u>			<u>17,750,508</u>
Decrease from operating activities	(1,391,163)	(828,275)		(2,219,438)
Non-operating activities:				
Permanently restricted contributions			\$ 324,811	324,811
Change in value of beneficial interest in perpetual trust			(10,435)	(10,435)
Investment losses not designated for current operations (Note B)	(9,398,406)	(309,150)	(78,231)	(9,785,787)
Net assets released from restrictions for capital expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in net assets	(10,789,569)	(1,137,425)	236,145	(11,690,849)
Net assets - January 1	<u>59,430,425</u>	<u>22,023,004</u>	<u>11,726,850</u>	<u>93,180,279</u>
Net assets - December 31	<u>\$ 48,640,856</u>	<u>\$ 20,885,579</u>	<u>\$ 11,962,995</u>	<u>\$ 81,489,430</u>

See notes to financial statements

THE NEW YORK ACADEMY OF MEDICINE

	Year Ended December 31,			Total
	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating support and revenues:				
Operating support:				
Grants and contributions	\$ 251,357	\$ 5,491,683		\$ 5,743,040
Special events revenue (net of direct benefit to donors of \$211,823)	<u>486,997</u>			<u>486,997</u>
Total operating support	<u>738,354</u>	<u>5,491,683</u>		<u>6,230,037</u>
Operating revenues:				
Investment earnings designated for current operations (Note B)	6,974,805			6,974,805
Subscriptions and fees	1,768,205	54,645		1,822,850
Membership dues	163,999			163,999
Miscellaneous	<u>365,320</u>			<u>365,320</u>
Total operating revenues	<u>9,272,329</u>	<u>54,645</u>		<u>9,326,974</u>
Net assets released from restrictions for operations	<u>6,487,622</u>	<u>(6,487,622)</u>		<u>0</u>
Total operating support, revenues and reclassifications	<u>16,498,305</u>	<u>(941,294)</u>		<u>15,557,011</u>
Operating expenses:				
Program services	11,648,237			11,648,237
Management and general	4,624,740			4,624,740
Fund-raising	<u>649,185</u>			<u>649,185</u>
Total operating expenses	<u>16,922,162</u>			<u>16,922,162</u>
Decrease from operating activities	(423,857)	(941,294)		(1,365,151)
Non-operating activities:				
Permanently restricted contributions			\$ 201,303	201,303
Change in value of beneficial interest in perpetual trust			(9,588)	(9,588)
Investment (losses) gains not designated for current operations (Note B)	(4,938,210)	290,578	14,338	(4,633,294)
Net assets released from restrictions for capital expenditures	<u>20,389</u>	<u>(20,389)</u>	<u>0</u>	<u>0</u>
Change in net assets	(5,341,678)	(671,105)	206,053	(5,806,730)
Net assets - January 1	<u>64,772,103</u>	<u>22,694,109</u>	<u>11,520,797</u>	<u>98,987,009</u>
Net assets - December 31	<u>\$ 59,430,425</u>	<u>\$ 22,023,004</u>	<u>\$ 11,726,850</u>	<u>\$ 93,180,279</u>

See notes to financial statements

THE NEW YORK ACADEMY OF MEDICINE

Statements of Cash Flows

	Year Ended December 31,	
	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (11,690,849)	\$ (5,806,730)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,028,043	1,055,639
Permanently restricted contributions	(324,811)	(201,303)
Bad debt	42,049	500
Net realized and unrealized losses (gains) on investments	3,599,176	(1,528,655)
Beneficial interest in perpetual trust	10,435	9,588
Changes in:		
Contributions and grants receivable	(400,346)	589,548
Accounts receivable	(20,831)	63,323
Prepaid expenses and other assets	(102,847)	(49,444)
Accounts payable and accrued expenses	(403,763)	(102,176)
Deferred revenue	(75,407)	85,047
Grants payable	32,751	(203,000)
Net cash used in operating activities	<u>(8,306,400)</u>	<u>(6,087,663)</u>
Cash flows from investing activities:		
Capital expenditures	(123,471)	(671,407)
Purchases of investments	(22,977,219)	(30,375,420)
Proceeds from sales of investments	<u>30,141,962</u>	<u>37,841,430</u>
Net cash provided by investing activities	<u>7,041,272</u>	<u>6,794,603</u>
Cash flows from financing activities:		
Permanently restricted contributions	<u>324,811</u>	<u>201,303</u>
Change in cash and cash equivalents	(940,317)	908,243
Cash and cash equivalents - January 1	<u>1,051,681</u>	<u>143,438</u>
Cash and cash equivalents - December 31	<u>\$ 111,364</u>	<u>\$ 1,051,681</u>

See notes to financial statements

THE NEW YORK ACADEMY OF MEDICINE

Notes to Financial Statements December 31, 2015 and 2014

NOTE A - THE ACADEMY AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] The Academy:

The New York Academy of Medicine (the "Academy") advances solutions that promote the health and well-being of people in cities worldwide.

An independent organization since 1847, the Academy addresses the health challenges facing the world's urban populations through interdisciplinary approaches to policy leadership, innovative research, evaluation, education, and community engagement. Drawing on the expertise of diverse collaborators worldwide and more than 2,000 elected fellows from across the professions, our current priorities are to create environments in cities that support healthy aging; to strengthen systems that prevent disease and promote the public's health; and to eliminate health disparities.

The Academy is exempt from federal income taxes pursuant to Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws.

[2] Basis of accounting:

The accompanying financial statements of the Academy have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as ("GAAP"), as applicable to not-for-profit organizations.

[3] Functional allocation of expenses:

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services in reasonable ratios determined by management.

[4] Use of estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, support and revenues, and expenses. Actual results could differ from those estimates.

[5] Cash and cash equivalents:

The Academy considers highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash and cash equivalents held in the investment portfolio.

THE NEW YORK ACADEMY OF MEDICINE

Notes to Financial Statements December 31, 2015 and 2014

NOTE A - THE ACADEMY AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

[6] Investments:

The Academy's investments consist of (i) cash and cash equivalents held for investments, (ii) domestic and international equity securities, (iii) an international investment fund, (iv) fixed-income securities, (v) a bond and treasury fund, and (vi) alternative investments consisting of limited partnerships invested in private equity securities, flexible capital, hedge funds and real asset funds. Domestic and international equity securities and fixed-income securities are reported at their fair values at year-end based on market quotations. The international investment fund, bond and treasury fund and alternative investments are reported at their fair values at year-end, based upon the valuation of the underlying assets as provided by the various investment managers.

The methods and procedures used to value these investments may include, but are not limited to, (i) performing comparisons with prices of comparable or similar securities; (ii) obtaining valuation-related information from issuers; and (iii) obtaining such other analytical data and indications of value as may be available from investment managers and other sources. However, because of the inherent uncertainty of the valuation process, the estimated fair values for the aforementioned securities and interests may differ from the values that would have been used had a ready market for the investments existed, and those differences could be material.

The Academy commingles its investments within a common investment pool to achieve a maximum return. Investment income, including realized gains and losses, is allocated on a pro-rata basis to each of the participating restricted funds. Interest and dividend income, as well as realized and unrealized gains and losses, are reported as unrestricted, temporarily restricted and permanently restricted, in accordance with the donors' intentions.

Included within the investment expenses disclosed on the accompanying statement of activities are those specific fees charged by the Academy's investment managers and advisors; however, fees that are embedded in various other mutual fund accounts and transactions are not reflected in that balance.

Donated securities are recorded at their fair values at the dates of donation. It is the Academy's policy to sell donated stock immediately upon receipt.

[7] Property and equipment:

The Academy's property and equipment are stated at their costs at the dates of acquisition. Depreciation is calculated using the straight-line method over the estimated useful lives of (i) buildings and improvements, which range from 7 to 40 years; (ii) library books and publications, which range from 20 to 40 years; and (iii) furniture and equipment, which range from 5 to 15 years. Minor costs for repairs and maintenance are expensed as incurred. Land is not depreciated.

THE NEW YORK ACADEMY OF MEDICINE

Notes to Financial Statements December 31, 2015 and 2014

NOTE A - THE ACADEMY AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

[7] Property and equipment: (continued)

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2015 and 2014, respectively, and in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[8] Collection:

The Academy has a collection of various purchased and donated materials, including books and artifacts. This collection is maintained by the Academy under curatorial care and is held for research, education and public exhibition in furtherance of public service. In accordance with not-for-profit industry practice, the costs and values of the items in the collection have not been capitalized and are not reported in the accompanying statements of financial position.

[9] Accrued vacation:

Employees accrue vacation on the anniversaries of their dates of hire, based on tenure, with a provision for carryover of up to five unused days at the end of each calendar year, which must be taken by June 30 of the following year. Accrued vacation is included as a liability in the accompanying financial statements and represents the Academy's obligation for the cost of unused employee vacation time that would be owed if employees were to leave the Academy's employment. As of December 31, 2015 and 2014, accrued vacation obligations were approximately \$134,000 and \$131,000, respectively.

[10] Deferred income:

Payments related to the rental of conference center space received in advance are recorded as deferred income and are recognized when earned in the subsequent year.

[11] Grants payable:

The Academy has certain awards and fellowship programs that are funded from endowed gifts, as well as from individual contributions. These program awards are determined and approved by applicable program committees. The Academy reports the full award commitment upon approval by the funding committee.

THE NEW YORK ACADEMY OF MEDICINE

Notes to Financial Statements December 31, 2015 and 2014

NOTE A - THE ACADEMY AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Net assets:

The net assets of the Academy and the changes therein are classified and reported as follows:

(i) Unrestricted:

Unrestricted net assets represent those resources that are not subject to donor-imposed restrictions and are available for the support of operations. Additionally, the Board of Trustees has designated a portion of unrestricted net assets to be used for capital improvements.

(ii) Temporarily restricted:

Temporarily restricted net assets represent those resources that are subject to donor-imposed stipulations that will be met either by specific actions of the Academy or by the passage of time.

(iii) Permanently restricted:

Permanently restricted net assets represent those endowment-related assets that are subject to the restrictions of gift instruments which require that the principal be held in perpetuity, subject to potential, prudent use by the Academy as permitted by the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). Included in the permanently restricted net assets are the changes in the value of a perpetual trust and unrealized (losses)/gains on investments, pending action by the Board of Trustees.

[13] Revenue recognition:

(i) Contributions and grants:

Contributions and grants to the Academy are recognized as revenue upon the receipt of cash, securities, or unconditional pledges. Unconditional promises to give to the Academy that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, discounted using risk-free interest rates applicable to the years in which payments are expected to be received. Contributions received with no explicit donor-restrictions are considered to be available for the general purposes of the Academy. Conditional promises to give are not included as support until such conditions are substantially met.

THE NEW YORK ACADEMY OF MEDICINE

Notes to Financial Statements December 31, 2015 and 2014

NOTE A - THE ACADEMY AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[13] Revenue recognition (continued):

(i) Contributions and grants: (continued)

The Academy reports contributions and grants in temporarily restricted or permanently restricted net assets if they are received with donor stipulations or time considerations as to their use. When a donor's restriction is met, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

(ii) Subscriptions and fees and membership dues:

Subscriptions and fees consist of annual fees for (i) library services, (ii) the conference center facility (iii) program registration fees, (iv) program sponsorship fees, and (v) lease income. The income is recognized when services are rendered. Membership dues are recorded as income in the applicable membership period.

[14] Measure of operations:

The Academy includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including an authorized investment income allocation and all contributions except for those that are restricted for capital expenditures or have been permanently restricted by donors. Investment income, including net realized and unrealized gains and losses, earned in excess of (or less than) the Academy's aggregate authorized spending amount, contributions for capital expenditures, change in value of beneficial interest in perpetual trust, gains (losses) on the disposal of fixed assets and contributions to permanently restricted net assets are recognized as non-operating activities.

[15] Income taxes:

The Academy is subject to the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. For the Academy, ASC Topic 740 is potentially applicable to the incurrence of unrelated business income ("UBI"), attributable to certain alternative investments, conference center events and commissions, and sponsorship fees not related to the Academy's mission. Nonetheless, because of the Academy's general tax-exempt status, management believes that ASC Topic 740 has not had, and is not expected to have, a material impact on the Academy's financial statements.

THE NEW YORK ACADEMY OF MEDICINE

Notes to Financial Statements December 31, 2015 and 2014

NOTE A - THE ACADEMY AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[16] Subsequent events:

The Academy considers the accounting treatments, and the related disclosures in the current year's financial statements, that may be required as the result of all events or transactions that occur after December 31, 2015 through June 6, 2016, the date on which the financial statements were available to be issued.

[17] Reclassification:

Certain accounts in 2014 have been reclassified to conform to the current year's presentation.

NOTE B - INVESTMENTS

In May 2015, the FASB issued Accounting Standards Update ("ASU") 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. ASU 2015-07 removes the requirement to categorize, within the fair-value hierarchy, all investments for which fair value is measured using net asset value per share ("NAV") as a practical expedient. The Academy elected to adopt ASU 2015-07 for 2015.

Accordingly, investments for which fair value is measured using NAV as a practical expedient have not been categorized within the fair-value hierarchy, and certain related tables have been properly excluded from the financial statements. The amendment has been applied retrospectively to all periods presented.

THE NEW YORK ACADEMY OF MEDICINE

**Notes to Financial Statements
December 31, 2015 and 2014**

NOTE B - INVESTMENTS (CONTINUED)

At each year-end, investments consisted of the following:

	December 31,			
	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 1,605,548	\$ 1,605,548	\$ 900,297	\$ 900,297
Domestic and international equity securities	29,829,560	38,381,352	31,062,618	42,178,157
Fixed-income mutual fund	6,855,283	6,545,653	9,812,312	9,670,769
Private equity securities	1,013,206	2,347,937	1,247,175	2,685,435
Flexible capital	11,124,904	13,294,652	13,212,298	16,026,659
Hedge funds	230,402	474,347	359,971	683,988
Real asset funds (limited partnerships)	<u>7,533,096</u>	<u>6,518,746</u>	<u>7,639,309</u>	<u>7,786,849</u>
	<u>\$ 58,191,999</u>	<u>\$ 69,168,235</u>	<u>\$ 64,233,980</u>	<u>\$ 79,932,154</u>

THE NEW YORK ACADEMY OF MEDICINE

Notes to Financial Statements December 31, 2015 and 2014

NOTE B - INVESTMENTS (CONTINUED)

During each year, the net investment returns from investments and their classifications in the accompanying statements of activities were as follows:

	Year Ended December 31, 2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Dividends and interest	\$ 961,257	\$ 173,130		\$ 1,134,387
Realized gains	946,129	176,633		1,122,762
Unrealized losses	(4,019,193)	(624,514)	\$ (78,231)	(4,721,938)
Less: Custody and administrative fees	<u>(192,637)</u>	<u>(34,399)</u>		<u>(227,036)</u>
Loss on investments, net	(2,304,444)	(309,150)	(78,231)	(2,691,825)
Less: Investment earnings designated for current operations (spending rate and special funding)	<u>(7,093,962)</u>			<u>(7,093,962)</u>
Investment losses not designated for current operations	<u>\$ (9,398,406)</u>	<u>\$ (309,150)</u>	<u>\$ (78,231)</u>	<u>\$ (9,785,787)</u>

	Year Ended December 31, 2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Dividends and interest	\$ 945,999	\$ 145,867		\$ 1,091,866
Realized losses	473,695	60,057		533,752
Unrealized gains	858,652	121,913	\$ 14,338	994,903
Less: Custody and administrative fees	<u>(241,751)</u>	<u>(37,259)</u>		<u>(279,010)</u>
Gains on investments, net	2,036,595	290,578	14,338	2,341,511
Less: Investment earnings designated for current operations (spending rate and special funding)	<u>(6,974,805)</u>			<u>(6,974,805)</u>
Investment (losses) gains not designated for current operations	<u>\$ (4,938,210)</u>	<u>\$ 290,578</u>	<u>\$ 14,338</u>	<u>\$ (4,633,294)</u>

THE NEW YORK ACADEMY OF MEDICINE

Notes to Financial Statements December 31, 2015 and 2014

NOTE B - INVESTMENTS (CONTINUED)

At December 31, 2015, concentrations of the Academy's investments in excess of 10% of the fair values of its portfolio included approximately (i) 55% invested in domestic and international equity securities and (ii) 19% invested in flexible capital.

ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1 - Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, or similar investments, at the reporting date.
- Level 2 - Valuations are based on (i) quoted prices for those investments, or similar investments, in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3 - Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or investments cannot be independently valued.

The Academy uses NAV or its equivalent as a practical expedient to measure the fair values of certain investments. This applies to investments (a) which do not have a readily determinable fair value and (b) the financial statements of which were prepared by the respective investment managers, consistent with the measurement principles of an investment company or that have the attributes of an investment company.

The Academy's investments in limited partnerships are valued based on the valuation policies and procedures of the general partners. Each general partner performs oversight of the underlying managers' material positions both on an investment level and from a risk perspective. The general partner is responsible for ensuring the investments are valued according to the policies and procedures adopted by the partnership. The Academy places reliance upon those procedures and records these investments at fair value as determined by the general partner.

THE NEW YORK ACADEMY OF MEDICINE

Notes to Financial Statements December 31, 2015 and 2014

NOTE B - INVESTMENTS (CONTINUED)

The Academy's investments are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

The available market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. During 2015 and 2014, there were no transfers among Levels 1, 2 or 3.

The following tables summarize the fair values of the Academy's assets at each year-end, in accordance with the ASC Topic 820 valuation levels:

	December 31, 2015			
	Amounts within Fair-Value Hierarchy		Valued at NAV	Total Investments
	Level 1	Total		
Cash and cash equivalents	\$ 1,605,548	\$ 1,605,548		\$ 1,605,548
Domestic and international equity securities	31,378,237	31,378,237	\$ 7,003,115	38,381,352
Fixed-income mutual fund	4,494,516	4,494,516	2,051,137	6,545,653
Private equity securities			2,347,937	2,347,937
Flexible capital	958,188	958,188	12,336,464	13,294,652
Hedge funds			474,347	474,347
Real asset funds (limited partnerships)	<u>5,602,290</u>	<u>5,602,290</u>	<u>916,456</u>	<u>6,518,746</u>
Total investments	<u>\$44,038,779</u>	<u>\$44,038,779</u>	<u>\$ 25,129,456</u>	<u>\$ 69,168,235</u>

THE NEW YORK ACADEMY OF MEDICINE

**Notes to Financial Statements
December 31, 2015 and 2014**

NOTE B - INVESTMENTS (CONTINUED)

	December 31, 2014			
	Amounts within Fair-Value Hierarchy			Total Investments
	Level 1	Total	Valued at NAV	
Cash and cash equivalents	\$ 900,297	\$ 900,297		\$ 900,297
Domestic and international equity securities	34,746,727	34,746,727	\$ 7,431,430	42,178,157
International investment fund				
Fixed-income mutual fund	6,099,700	6,099,700	3,571,069	9,670,769
Bond and treasury fund				
Private equity securities			2,685,435	2,685,435
Flexible capital	2,371,352	2,371,352	13,655,307	16,026,659
Hedge funds			683,988	683,988
Real asset funds (limited partnerships)			7,786,849	7,786,849
Total investments	<u>\$ 44,118,076</u>	<u>\$ 44,118,076</u>	<u>\$ 35,814,078</u>	<u>\$ 79,932,154</u>

THE NEW YORK ACADEMY OF MEDICINE

**Notes to Financial Statements
December 31, 2015 and 2014**

NOTE B - INVESTMENTS (CONTINUED)

The following table lists investments in other investment companies by major category:

	December 31, 2015			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equity securities	\$ 2,347,937	\$ 385,502	Illiquid private commitments generally lasting 10-12 years. Investment period ended 2015-2018	2-7 years after investment period ended
Flexible capital	12,336,464		Daily, quarterly, semi-annually and annually	45-90 days with gates, no lock ups
Hedge funds	474,347			Illiquid positions remaining from previous hedge fund investments. Proceeds will be paid out over the coming months and years.
Real asset funds (limited partnerships)	<u>916,456</u>	<u>241,149</u>	In liquidation or investment period ended 2015-2018	2-7 years after investment period ended
	<u>\$ 16,075,204</u>	<u>\$ 626,651</u>		

THE NEW YORK ACADEMY OF MEDICINE

Notes to Financial Statements December 31, 2015 and 2014

NOTE C - CONTRIBUTIONS AND GRANTS RECEIVABLE

At each year-end, contributions and grants receivable are estimated to be received as follows:

Year Ending December 31,	December 31,	
	2015	2014
2015		\$ 1,514,281
2016	\$ 1,542,297	162,100
2017	<u>501,445</u>	<u>1,000</u>
	2,043,742	1,677,381
Reduction for contributions due in excess of one year at interest rates ranging from 1.273% - 1.118%	<u>(9,866)</u>	<u>(1,802)</u>
	<u>\$ 2,033,876</u>	<u>\$ 1,675,579</u>

At December 31, 2015, the Academy had contributions and grants receivable due from two major foundations, five governmental agencies, and federal pass-through funds from eleven organizations, totaling \$1,658,560. At December 31, 2014, the Academy had contributions and grants receivable due from four major foundations, one private corporation, and four governmental agencies, totaling \$1,237,272. These amounts represented approximately 82% and 74% of the total outstanding contributions and grants as of December 31, 2015 and 2014, respectively.

Based on its prior experience with donors and grantors, management expects all receivables to be fully collectible. Accordingly, no allowance for doubtful amounts has been provided.

NOTE D - BENEFICIAL INTEREST IN PERPETUAL TRUST

The Academy is the remainder beneficiary of a perpetual trust arrangement. The fair value of the trust as of December 31, 2015 and 2014 was determined by its trustee. The Academy receives a quarterly distribution of income from the trust.

THE NEW YORK ACADEMY OF MEDICINE

Notes to Financial Statements December 31, 2015 and 2014

NOTE E - PROPERTY AND EQUIPMENT

At each year-end, property and equipment consisted of the following:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Land and land improvements	\$ 284,261	\$ 284,261
Building and building improvements	14,757,420	14,791,081
Library books and publications	3,810,959	4,073,670
Furniture and equipment	1,448,136	1,339,665
Construction-in-process	<u>32,000</u>	<u>33,000</u>
	20,332,776	20,521,677
Less accumulated depreciation and amortization	<u>(9,677,996)</u>	<u>(8,971,085)</u>
	<u>\$ 10,654,780</u>	<u>\$ 11,550,592</u>

During 2015 and 2014, a total of approximately \$321,000 and \$2,824,000, respectively, of fully depreciated library books and subscriptions, building improvements, and furniture and equipment were removed from the property and equipment balances.

NOTE F - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

At each year-end, temporarily and permanently restricted net assets were allocated as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Temporarily restricted net assets:		
Lectures and Awards programs	\$ 16,971,956	\$ 16,697,390
Library	2,572,578	3,192,479
Health Policy and Planning programs	675,380	870,372
Center for Cognitive Studies in Medicine	55,473	
Population Health programs	53,353	225,152
Center for Health Innovation	40,337	239,088
Center for Evaluation and Applied Research		144,296
Other programs	<u>516,502</u>	<u>654,227</u>
	<u>\$ 20,885,579</u>	<u>\$ 22,023,004</u>

THE NEW YORK ACADEMY OF MEDICINE

**Notes to Financial Statements
December 31, 2015 and 2014**

NOTE F - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

	Year Ended December 31,	
	<u>2015</u>	<u>2015</u>
Permanently restricted net assets:		
Lectures and Awards program	\$ 5,628,190	\$ 5,303,379
Library	5,688,185	5,737,735
Support of general operations	<u>646,620</u>	<u>685,736</u>
	<u>\$ 11,962,995</u>	<u>\$ 11,726,850</u>

During each year, temporarily restricted net assets were released from restrictions in fulfillment of the following:

	Year Ended December 31,	
	<u>2015</u>	<u>2014</u>
Lectures and Awards program	\$ 1,623,827	\$ 1,166,470
Library	634,331	510,575
Health Policy and Planning programs	1,656,149	2,126,020
Center for Cognitive Studies in Medicine	426,449	639,945
Population Health programs	184,753	277,162
Center for Health Innovation	608,962	209,915
Center for Evaluation and Applied Research	869,174	1,202,229
Other programs	<u>205,763</u>	<u>355,306</u>
	<u>6,209,408</u>	6,487,622
Capital expenditures		<u>20,389</u>
	<u>\$ 6,209,408</u>	<u>\$ 6,508,011</u>

NOTE G - THE ENDOWMENT

[1] The endowment:

The endowment consists of 43 individual donor-restricted funds, amounting to \$11,962,995, that have been established for a variety of purposes. The Academy does not have any funds designated by the Board of Trustees to function as an endowment.

[2] Interpretation of relevant law:

The New York Prudent Management of Institutional Funds Act ("NYPMIFA") is applicable to all of the Academy's institutional funds. The Academy adheres to NYPMIFA's requirements.

THE NEW YORK ACADEMY OF MEDICINE

**Notes to Financial Statements
December 31, 2015 and 2014**

NOTE G - THE ENDOWMENT (CONTINUED)

[3] Endowment net asset composition by type of fund, as of December 31, 2015 and 2014:

	<u>December 31, 2015</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 10,293,396</u>	<u>\$ 11,962,995</u>	<u>\$ 22,256,391</u>

	<u>December 31, 2014</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 11,131,055</u>	<u>\$ 11,726,850</u>	<u>\$ 22,857,905</u>

[4] Changes in endowment net assets, during 2015 and 2014:

Changes in endowment net assets in each year were as follows:

	<u>Year Ended December 31, 2015</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 11,131,055	\$ 11,726,850	\$ 22,857,905
Contributions		324,811	324,811
Income distribution from perpetual trust	9,215		9,215
Investment loss	(309,150)	(78,231)	(387,381)
Change in the value of perpetual trust		(10,435)	(10,435)
Appropriation of endowment assets for expenditure	<u>(537,724)</u>		<u>(537,724)</u>
Net assets, end of year	<u>\$ 10,293,396</u>	<u>\$ 11,962,995</u>	<u>\$ 22,256,391</u>

THE NEW YORK ACADEMY OF MEDICINE

**Notes to Financial Statements
December 31, 2015 and 2014**

NOTE G - THE ENDOWMENT (CONTINUED)

[4] Changes in endowment net assets, during 2015 and 2014: (continued)

	<u>Year Ended December 31, 2014</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 11,326,938	\$ 11,520,797	\$ 22,847,735
Contributions		201,303	201,303
Income distribution from perpetual trust	9,782		9,782
Investment income	290,578	14,338	304,916
Change in the value of perpetual trust		(9,588)	(9,588)
Appropriation of endowment assets for expenditure	<u>(496,243)</u>	<u> </u>	<u>(496,243)</u>
Net assets, end of year	<u>\$ 11,131,055</u>	<u>\$ 11,726,850</u>	<u>\$ 22,857,905</u>

[5] Funds with deficiencies:

As a result of unfavorable market fluctuations, from time-to-time the fair value of assets associated with individual donor-restricted endowment funds may decline below the historic dollar value of the donor's original permanently restricted contribution. In such circumstances, under the terms of NYPMIFA, the Academy's Board of Trustees would discuss the matter and decide whether to restore the decreases in value. As of December 31, 2015 and 2014, there were no funds with deficiencies.

[6] Return objectives and risk parameters:

The Academy 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 Academy 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 produce an inflation adjusted real return over time that enables these programs to be sustained.

THE NEW YORK ACADEMY OF MEDICINE

Notes to Financial Statements December 31, 2015 and 2014

NOTE G - THE ENDOWMENT (CONTINUED)

[7] Strategies employed for achieving objectives:

To satisfy its long-term, rate-of-return objectives, the Academy relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). At present, endowment assets are allocated as follows:

- fixed-income securities
- equity securities
- flexible capital
- inflation hedging
- real assets
- private equity
- cash

[8] Spending policy and how the investment objectives relate to the spending policy:

The Academy's spending policy provides that the Academy will generally spend up to 5% of the value of restricted funds each year. The overall spending policy goal is 5% to 6% of a three-year rolling average of the market value of the restricted and unrestricted portfolio, to be achieved by 2017. The three-year average market value is calculated based on the prior three years' values.

NOTE H - EMPLOYEE-BENEFIT PLANS

[1] Section 403(b) plan:

The Academy has a Section 403(b), defined-contribution employee-benefit plan, covering all of its full-time salaried employees who have worked for the Academy for at least two years or who have previously worked at a not-for-profit entity for two years and are over 21 years of age. The plan is funded through individual annuity contracts that the Academy maintains with the Teachers Insurance and Annuity Association - College Retirement Equities Fund. Under the plan, a fixed percentage (3.0% for both 2015 and 2014) of an employee's annual compensation is contributed by the Academy, up to a maximum of \$7,950 and \$7,800 for 2015 and 2014, respectively. The accumulated funds are 100% vested with the participants. The pension expense for 2015 and 2014 was \$201,213 and \$203,433, respectively.

THE NEW YORK ACADEMY OF MEDICINE

Notes to Financial Statements December 31, 2015 and 2014

NOTE H - EMPLOYEE-BENEFIT PLANS (CONTINUED)

[2] Deferred-compensation plans:

Under the terms of the employment agreement with the President, a Section 457(f) deferred-compensation plan was established, in which the Academy contributes \$40,000 each year during the remaining term of employment. The related liability is reported in the accompanying statements of financial position.

The Academy also has a Section 457(b) deferred-compensation plan which is available to key employees. During 2015, there were six employees participating in this plan, of which two employees' contributions were funded by the Academy, for a total of approximately \$36,000.

NOTE I - COMMITMENTS

[1] Effective February 2014, the Academy entered into a five-year, non-exclusive Affiliation Agreement with the Icahn School of Medicine at Mount Sinai, New York City, for the purpose of collaborating on research, education and health-policy activities. In addition, as of November 2014, the Icahn School entered into a five-year lease agreement with the Academy for the rental of two office spaces from the Academy. The lease agreement will expire in 2019. During 2015 and 2014, rental income from this agreement totaled \$148,789 and \$14,087, respectively. The Academy also leased other office space to another not-for-profit organization.

The following is the required annual payments under the lease agreements and the base rents that the Academy will receive under the sublease:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 214,035
2017	219,009
2018	224,107
2019	229,333
2020	<u>106,196</u>
	<u>\$ 992,680</u>

Total rental income was \$163,854 and \$28,879 in 2015 and 2014, respectively.

THE NEW YORK ACADEMY OF MEDICINE

Notes to Financial Statements December 31, 2015 and 2014

NOTE I - COMMITMENTS (CONTINUED)

- [2] The Academy leases office equipment under a non-cancelable lease agreement, which will expire in November 2016. The remaining commitment amounted to \$9,968. Annual lease expense was approximately \$24,000 and \$80,000 in 2015 and 2014, respectively.
- [3] After a strategic plan review, the Board of Trustees approved strategic investments in the amount of \$4,500,000, to be invested at \$1,500,000 a year for three years, beginning in 2014. These investments are to support three initiatives aimed at achieving the programmatic and financial goals outlined in the strategic plan. These funds support (i) engaging a new Executive Vice President and a new Senior Vice President for Research, and (ii) the Age Friendly NYC program.
- [4] Government-funded activities are subject to audit by the applicable granting agencies. As of December 31, 2015, no such audits had yet been undertaken at the Academy. Management believes that unaudited projects would not result in any material obligations.
- [5] The Academy has an employment agreement with its President through June 2017.
- [6] In the normal course of business, the Academy enters into various contracts for professional and other services which are typically renewable on a year-to-year basis.

NOTE J - RELATED-PARTY TRANSACTIONS

- [1] During 2015 and 2014, the Academy received donations of \$219,970 and \$397,661, respectively, from members of the Board of Trustees.
- [2] A Director of a program unit at the Academy is related to a member of the Board of Trustees.

NOTE K - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Academy to concentrations of credit risk consist of cash and cash equivalents deposited in financial institutions, the balances of which, from time to time, may exceed federal insurance limits. However, management believes that the Academy does not face a significant risk of loss on these accounts that would result from the failure of these institutions.