



BOARD OF DIRECTORS OF CITY TRUSTS
ACTING FOR THE CITY OF PHILADELPHIA
2016 ANNUAL REPORT

BOARD OF DIRECTORS OF CITY TRUSTS ACTING FOR THE CITY OF PHILADELPHIA

2016 ANNUAL REPORT

TABLE OF CONTENTS

	Page
REPORT OF THE PRESIDENT	1 to 20
FINANCIAL STATEMENTS:	
1. The Estate of Stephen Girard, Deceased, as of and for the years ended June 30, 2016 and 2015	I-1 to I-26
2. Wills Eye Hospital as of and for the years ended June 30, 2016 and 2015, and supplemental schedules for the year ended June 30, 2016	II-1 to II-44
3. Collective Legal Investment Fund with supplemental Sundry Trusts schedules as of and for the year ended December 31, 2016	III-1 to III-131
4. Board of Directors of City Trusts Contributory Retirement Plan as of and for the year ended December 31, 2016	IV-1 to IV-15
5. Board of Directors of City Trusts Girard Non-Contributory Retirement Plan as of and for the year ended December 31, 2016	V-1 to V-15
6. Board of Directors of City Trusts Wills Eye Health System Non-Contributory Retirement Plan as of and for the year ended December 31, 2016	VI-1 to VI-16

BOARD OF DIRECTORS OF CITY TRUSTS

President

Hon. Ronald R. Donatucci

Vice Presidents

Bernard W. Smalley, Esq.

Hon. Anna C. Verna

Directors

Lynette M. Brown-Sow

Albert S. Dandridge III, Esq.

Louis J. Esposito (President Emeritus)

Michael P. Meehan, Esq.

Hon. Michael A. Nutter

Hon. Paul P. Panepinto

Dominic A. Sabatini

Hon. Michael J. Stack

Hon. Marian B. Tasco

Members of the Board, “Ex Officio”

Gregory S. Rost (for the Mayor of Philadelphia)

Donna Bullock (for the President of City Council of Philadelphia)

Joseph P. Bilson, Executive Director

David S. Smith, Secretary

1101 Market Street – Suite 2600
Philadelphia, PA 19107

215-568-0440

GIRARD ESTATE

Joseph P. Bilson
Executive Director

David S. Smith
Chief Financial Officer

GIRARD COLLEGE

Clarence D. Armbrister
President

Ava Willis-Barksdale
Vice-President

Clinton A. Walters, Jr.
Controller

WILLS EYE HOSPITAL

Joseph P. Bilson
Executive Director

Julia A. Haller, MD
Ophthalmologist-in-Chief

Michael D. Allen, Esquire
General Counsel and Chief Administrative Officer

Jeri Mogle
Assistant Executive Director – Finance

One Hundred Forty Sixth Annual Report
of the
Board of Directors of City Trusts

To the Council of the City of Philadelphia, to the Board of Appointment composed of the Judges of the Courts of Common Pleas of the County of Philadelphia and to the General Assembly of the Commonwealth of Pennsylvania.

In compliance with the Act of Assembly approved June 30, 1869, the Board of Directors of City Trusts (the Board) respectfully presents this report of the several trusts under its administration for the year 2016. This report contains financial statements for the calendar year for the Collective Legal Investment Fund, Sundry Trusts and Contributory, Girard Non-Contributory and Wills Eye Health System Non-Contributory Retirement Plans, financial statements for Wills Eye Hospital and subsidiaries for the fiscal years ended June 30, 2016 and 2015 and financial statements for the Estate of Stephen Girard, Deceased (the "Girard Estate") for the fiscal years ended June 30, 2016 and 2015.

In September 2016, Director Vincent J. Fenerty, Jr. resigned from the Board.

New Directors Albert S. Dandridge III, Esq. and Hon. Paul P. Panepinto were appointed to the Board by the Board of Judges of the Court of Common Pleas in February 2017.

GIRARD ESTATE

The net assets of the Girard Estate available for the maintenance of Girard College amounted to \$232,057,000 at June 30, 2016, exclusive of the value of real estate devised and still held.

The total expenditures for the support and maintenance of Girard College for the fiscal year ended June 30, 2016 amounted to \$19,465,000. In addition, \$1,533,000 was spent on long-term projects/capital expenditures benefiting future years.

At June 30, 2016 the Estate's investments totaled \$263,905,000, excluding \$35,685,000 that has been segregated within the Collective Legal Investment Fund to comply with the requirements of a debt and interest rate swap agreement.

GIRARD COLLEGE

During the 2015-2016 school year the litigation regarding the proposed changes to the structure of Girard College concluded after the Board determined not to appeal the Commonwealth's decision affirming the Orphans' Court decision denying the Board's petition. President Armbrister implored the Girard College community to turn the page and move forward for the benefit of the students and the school community.

Notwithstanding the decision, the momentum that has been created during the last several years, especially in academic programming, continued unabated. The Administration spent much of the year planning for the reorganization of the school into a new "thematic" high school and an elementary/middle school, which more appropriately keeps together students of similar developmental growth and maturity. In addition, President Armbrister undertook the search for two senior positions in Girard College: Vice-President of Enrollment Management and Institutional Advancement and the Head of the High School.

In October 2015, Henry Fairfax began his tenure as the Vice-President for Enrollment Management and Institutional Advancement. The Administration recognized that the search for the Head of the High School would take some time and began the school year with Vice President Ava Willis-Barksdale at the helm of the High School. Subsequently, Dr. Barbara Moses was brought on in October 2015 to lead the High School for the balance of the school year.

Girard's contract with the Institute of Research and Reform in Education ("IRRE") is winding down, but staff continues to work together to improve academic rigor, the spirit of collaboration and teaching and grading methods. During the term of this relationship our faculty and staff have benefitted from thousands of hours of professional development and training.

As the year began, President Clarence D. Armbrister led 159.5 full and part-time staff members in the education of 270 students.

Student Body:

Gender: 53% Female and 47% Male

Number of Students by School: 135 Lower (grades 1-6) and 135 Upper (grades 7-12)

Racial Demographics: 85% African-American, 8% Multiracial and 7% Other

Staff Breakdown:

Blue Collar:	50.0
Secretaries:	6.0
Teachers/Counselors:	40.0
Residential Advisors:	25.0
Non-Union:	38.5

GOVERNANCE

In accordance with commitments made to the Middle States Association during the accreditation process, Girard College designed a revised governance structure that became fully operational in the 2014-2015 academic year and has continued in the 2015-2016 academic year. The new structure includes an expanded Girard College Committee and three standing sub-committees: Budget and Finance, Student and Academic Affairs and Advancement.

The Girard College Committee comprises three members of the Board of Directors of City Trusts (Bernard Smalley, chair; Lynette Brown-Sow and Michael Meehan) and others. The other members of the expanded committee include Joseph Samuel, President of the Girard College Alumni Association; Harold Jacobs, Chair of the Advancement Sub-committee; and Dr. Michael W. Smith, Associate Dean, School of Education, Temple University, Chair of the Academic and Student Affairs Sub-committee.

The Girard College Committee and sub-committees met on the following dates during the 2015-2016 academic year.

Girard College Committee	Budget & Finance	Student & Academic Affairs
October 29, 2015	October 6, 2015	October 20, 2015
December 21, 2015	December 1, 2015	December 8, 2015
February 25, 2016	February 2, 2016	February 19, 2016
April 28, 2016	April 12, 2016	April 19, 2016

The Advancement Committee had not yet become operational during the 2015-2016 academic year.

In addition to creating the Girard College Committee and three standing sub-committees, the Board shared formal governance of Girard College with the members of our school community by establishing several school-wide committees: Curriculum and Instruction; Student Affairs; and Health and Safety. These committees help to fulfill our pledge to the Middle States Association to provide opportunities to faculty, staff and students to participate in some of the decision-making processes that direct and define Girard College.

ADVANCEMENT

During Henry Fairfax’s first year at Girard College, he particularly highlighted Girard’s need to expand its thinking regarding resource development. His broader view of resources includes monetizing under-utilized campus facilities through rentals and partnerships and building strategic, mission-aligned partnerships, especially those impacting Admissions at Girard.

The first of these strategic partnerships is with A Better Chance, an organization nationally recognized for preparing talented young people of color for leadership by increasing their access to academically rigorous secondary schools. The A Better Chance partnership will serve as one of several planned admissions pipelines for upper grades, increasing our enrollment of top young scholars. Similar strategic alliances are also under active consideration – for pre-school into first-grade admissions pipelines, summer programming, international programming, and athletic facilities and programming.

Mr. Fairfax’s demonstrated priorities also include strategic planning based on clear metrics, a case for support effectively articulating Girard’s competitive advantages and development infrastructures meeting best-practice standards for leading independent schools.

In the 2015-2016 academic year, corporate tax-credit donations played an important role in contributed revenues. For the year ended June 30, 2016, the Opportunity Scholarship Tax Credit contributions totaled \$425,000. Donations through the parallel Educational Improvement Tax Credit program totaled \$66,000, bringing the current fiscal year-to-date total for both tax-credit programs to \$491,000.

The year-to-date subtotal from all other sources is \$150,000, bringing total contributions from all sources to \$641,000.

Under Mr. Fairfax's leadership, the Advancement Office has also taken significant steps to increase development capacity, using key partnerships, for example, to expand donor and prospect cultivation, or "Friending." The April 2016 Inaugural Organ Concert enlisted support from the new Organ Guild and partnered with the American Guild of Organists, Philadelphia Chapter, and the Organ Historical Society to increase community engagement. Similar cultivation initiatives include Girard's mission-based facility rentals, such as Fairmount CDC's "Food Fight" (November 2015), the MLK Day of Service (January 2016), and the City Office of Behavioral Health's "BEyond Expectations" event (April 2016).

The Advancement Office has also increased development infrastructure and campaign readiness, framing a comprehensive Case for Support, a fundraising Dashboard, and Gift Acceptance Guidelines and related documents. The office has also assessed the current donor base in preparation for expanded development activities.

ENROLLMENT MANAGEMENT

Consistent with a process that began the year before – as we shifted from the traditional Admissions model to an Office of Enrollment Management model – the Enrollment Management staff completely retooled the admission process. The enrollment timeline, inquiry, application, testing and recommendations have been updated to be consistent with best practices for selective independent schools. As a result, in 2015-2016 the College saw an increase of more than 50% in applications over the same time period during the previous year and started the re-enrollment process earlier than at any time before. To help assist with the significant volume of interviews, the enrollment team secured additional assistance from the staff of the Institutional Advancement Office, the College Advisor and the Museum Curator.

As Girard looks to assert itself in the market and establish an enrollment process consistent with the distinct and selective program it has planned, a reorganization of the Enrollment Management Office was necessary.

Two integral considerations for retooling the admission process were: (1) Establishing entry points for first, sixth and ninth grades and (2) Developing a right-sized enrollment model. The entry points take into account the opportunity to round out each class to help build a diverse student population. The enrollment model factors in income guidelines, demographics, budgetary constraints and most importantly, Stephen Girard's desire to educate no fewer than 300 students. That said, our current enrollment model does not project more than 330 students in any year over the next five years.

FACILITIES

PHYSICAL PLANT UPGRADES

In summer 2015, Girard relocated its dormitory space for 9th to 12th grade boys from Banker Hall into Mariner (11th and 12th grades) and Merchant (9th and 10th grades) Halls. As part of this move, the first and second floors of Mariner and Merchant Halls were upgraded to include new bedroom and entertainment furniture as well as new wall-to-wall carpeting.

The 11th and 12th grade girls were housed in Mariner Hall during the school year 2014-2015 and were relocated to the Junior School in summer 2015 as well. To help compensate for the loss of the entertainment space they enjoyed in Mariner Hall, an unused dormitory pod space on the third floor of the Junior School was transformed into a lounge space outfitted with new lounge furniture and wall-to-wall carpeting.

Continued roof and drain improvements were made to various buildings on campus including Mariner, Merchant, Allen and Bordeaux Halls and the Armory to help preserve the building envelope. Although not a complete roof replacement, these upgrades will help to extend the life of the existing roofs, gutter and drainage systems.

In October 2015, the College completed a major sidewalk replacement project of approximately 14,600 sq. ft. of sidewalk on North College Avenue.

In April 2016, Girard expanded its existing security camera system with the installation of new network-based high-definition security camera system to the interior spaces of the Armory. Also in April Girard College completed the restoration of the north and south entrance doors of Founder's Hall. See more details concerning this project under the Preservation and Improvements section below.

PRESERVATION AND IMPROVEMENTS

FOUNDER'S HALL

During the 2015-2016 year, Girard College celebrated the completion of a major preservation project of Founder's Hall – the restoration of the monumental South and North Doors (31 feet high x 15.5 feet wide). This achievement was driven by two collaborations – a funding partnership led by the Founder's Keepers Initiative of the Girard College Alumni Association, with additional funding provided by the Girard Estate and Girard College, and a project team combining Founder's, Girard College and Girard Estate staff with a project architect and a restoration team. The magnificent functional and aesthetic results were based on skilled and painstaking repair and replacement and on the scientific discovery of the original 1847 exterior door color – dark green – with which both sets of doors were repainted. This project was awarded a 2016 Grand Jury Achievement Award from the Preservation Alliance of Greater Philadelphia.

This year also included a smaller, in-house project following up last year's National Endowment for the Humanities-funded Textile Project. The NEH Project led to the discovery of approximately 100 pieces of previously unknown Stephen Girard textiles from his 23 North Water Street home. The household items include bed sheets (some marked with Girard's initials), tablecloths, handkerchiefs, neckerchiefs, silk stockings, etc. These items have been accessioned, photographed and cataloged into our computerized inventory program, giving us more authentic, primary-source documentation for Girard's life and times.

CHAPEL

This year, Girard formed an Organ Guild to steward the magnificent E.M. Skinner organ. A large group of organists and school staff met regularly to discuss how best to showcase the organ. Read more in the Music and Art section below.

EVENTS

CHAPEL

For the third consecutive year, the Girard Chapel hosted the high-profile MLK Tribute concert of the Philadelphia Orchestra. A large crowd gathered for this free community concert and the Chapel filled with powerful music.

On Monday, April 4, 2016, the school district of Philadelphia hosted an event in the Chapel to encourage young men of color to feel empowered and to take advantage of mental health services. A collaboration between First Person Arts and the Philadelphia Department of Behavioral Health and Intellectual, this event filled the Chapel with students and prominent figures (including Mayor Kenney) listening to emotional stories of seven young men. A significant number of Girard College high school students were in attendance.

On April 7, 2016, Girard College students benefitted from an organ “demo performance” by 2016 Grammy-winning performer Nathan Laube. Laube offered an engaging, interactive program combining stunning performances with informative photos and descriptions. Now a professor at the Eastman School of Music, Laube recounted his excitement on first hearing the Girard organ and then returning to perform on it two years later as a student at the Curtis Institute

On April 16, 2016, the Chapel was the site of the first of what we hope will become a series of great musical events. The Grand Organ Concert featured four world-renowned organists Steven Ball, Peter Richard Conte, Marvin Mills and Michael Stairs. Tickets were sold to the concert only and to a reception afterwards in Founder’s Hall to meet the artists. Several hundred guests attended the concert.

On June 28, 2016, the Organ Historical Society held its convention in Philadelphia and organist Nathan Laube returned to our Chapel to perform for this esteemed group on our Skinner organ.

Throughout the school year, various community members were Chapel speakers, inspiring and instructing our students. They include: Kipp Bradford, MIT entrepreneur, Sara Lomax-Reese, President & CEO of WURD Radio, Jeri Lynne Johnson, Founder and Music Director of the Black Pearl Chamber Orchestra, Charles Ramsey, Philadelphia Police Commissioner, Omar Woodard, alumnus, Susan Slawson, First Deputy Commissioner of Philadelphia Department of Parks and Recreation and Gerard Sweeney, President, Chief Executive Officer and Trustee of Brandywine Realty Trust.

CAMPUS

MLK Day of Service was hosted at Girard College for the seventh consecutive year in January 2016. As the signature site of this Global Citizen’s event, our campus attracted 5,000 volunteers to engage in service projects, a health fair, a job fair and other community activities that took place in Good Friends, the Armory and the HUM student center.

In December 2015, as in many past years, Girard was the site of Rubye's Kids, a non-profit organization that provides a holiday party for children in need.

FOCUS ON STUDENTS

CURRICULAR TOPICS

LOWER SCHOOL

First-graders started the 2015-2016 academic year with six weeks of different themes organized and taught by both homeroom teachers. This was a successful effort to make a better foundation to start a serious "school" experience. Many of our students have not had a good kindergarten program and benefit from the following tools: reinforcement for numbers sense in order to start the math curriculum; Wilson Phonics instruction to lead into Reading instruction; and learning the basics for handwriting. The lessons included non-academic topics such as "How to conduct yourself in and around the school building," "How to treat and interact with other students as well as teachers" and "How to solve problems with friends."

Our professional development training with IRRE for much of the 2015-2016 academic year focused on writing across the curriculum. The Independent Reading initiative has continued in grades 4-6. One third-grade homeroom ran a very successful pilot program using Chromebooks, a program also run in the middle and high school-aged classes. As a direct result of many teachers attending the National Technology conference held in Philadelphia last June, almost all teachers are using HUES and projectors throughout the building. (The HUE HD camera was launched in 2010 and has been very popular with schools worldwide as an economic and portable visualizer and document camera. Responding to demand from teachers, the new HUE HD Pro was launched at BETT UK 2015 and TECEA Texas 2015 to incorporate the most requested features: a heavier base and full A4 (8.27" x 11.7") image capture with a wide angle lens. It also comes bundled with user friendly software to give easy access to all of the camera's functions, including recording sound and video, editing images, automated image capture and Skype.)

As the year progressed, a number of teachers also used Google classroom features. The first and second-graders used iPads (shared by Music and Art) to practice skills and loved it!

We have continued to use the advisory period at all grade levels to enable teachers to reteach and retest and conference with all of their students. At the start of the second trimester, we were able to team up with Dream Camp to provide tutoring for a select group of 30 students two afternoons a week. The homeroom teachers provided Common Core State Standards information for each student (areas of weakness that needed reinforcement) to Dean Shafer so she could provide that for the Dream Camp director who set up lessons with their tutors. During this past summer, we used two free, online options (Lexia for reading and Tenmarks for math) for summer review, and it worked well for some. But we felt we were more successful with the Summer Bridge printed grade level workbook used in the past, and so we will do that for all grades 1-8 in addition to summer required reading books.

UPPER SCHOOL

The Upper School made modifications to the café system to provide more opportunities for re-teaching and re-learning.

First, the café period (a session held during school hours where a student can receive additional support in a particular subject area), originally held three times per week for 45 minutes each day, was divided into two separate time slots with a three-minute transition time to move from one café to another café. This extended the teaching day by three minutes, and teachers agreed to the shift so we could have two 25-minute periods. The bell schedule was adjusted to allow for bells to ring at appropriate times as well. Second, teachers were limited to scheduling only two cafés per student per day and were encouraged to organize their cafés by class so they would be working with the same students for the same class at the same time. Teachers were also encouraged to not mix re-testing with re-teaching and instead schedule all students that needed to re-test for the same café period. Third, better tracking of students occurred because students were not allowed to go to the Enrichment Center if they had a café. A study room was established in the high school building for students who were only scheduled for one café. Some results include: more teacher-directed café attendance, greater accountability of student whereabouts, increased attendance at cafés and a decrease in the number of students at the Enrichment Center, due to the creation of a study room in the Upper School building.

In the 2015-16 school year, 14 students attended the Community College of Philadelphia (CCP) to expand and enrich their academic experience, as part of the dual-enrollment program. These students each took one class, and were transported back and forth to the CCP campus. The College paid for their tuition. Upon successful completion of the CCP college-level coursework, students will receive college credit to be reflected on their Girard College transcripts. Since the program began in the fall of 2014, 38 students have taken advantage of this program with one student completing an entire semester of college level work while still in high school.

In January 2015, Girard College entered into a partnership with The University of Pennsylvania to provide some of the Upper School students with test preparation and clinical research experience. In the 2015-2016 academic year, this program was expanded. Students in grades 9-11 began participation in a study skills and test-preparation program provided by Kaplan, Inc., one of the leading test-prep companies in the country. The program was underwritten by Penn's Center of Excellence on Minority Health Research. All freshmen and sophomores participated in a full-length online Kaplan ACT prep course. The juniors took a 12-week live-instruction course to help them prepare for the ACT, a college entrance assessment widely accepted by most colleges and universities across the country. The ACT-prep class work was supplemented by an online course that was individually customized for each student based on how he or she performed on the diagnostic ACT Assessment. Additionally, The University of Pennsylvania Pearlman School of Medicine selected eight students to participate in a seminar series that focused on writing research concept papers. These students underwent an intensive six-week series of presentations and seminars led by Penn Medical School Faculty. This Research Series was designed to introduce students to the various areas within the medical profession where research is utilized. The series culminated in the students writing a research concept paper and providing an oral presentation about their research focus.

MUSIC AND ART

The Lower School choir and band held several highly impactful public and private performances in addition to our annual winter and spring concerts, including the press conference for MLK Day, the National Liberty Museum (NLM) Gala at which the students helped the NLM to raise well over \$500,000, radio and video performance for More 101.1 FM and Porters Day Care Center's Unity Day (this year the fifth and sixth grade cast of "Lion King" performed highlights from the show). The Upper School Choir returned to the NLM to perform for their shareholders meeting and the Lower School Band and Choir worked with Author Mitch Albom by creating a song to help raise awareness of his orphanage work in Haiti.

The Upper School choir continues to raise the bar on performance standards by incorporating classical songs, arias, spirituals, a cappella pop and traditional songs in their eight performances and audio-video production. In addition, they participated in a choral festival at Temple University in June 2016 under the direction of Dr. Rollo Dillworth. The ninth grade used iPads in composing music and creating short films in their general music class as they investigated careers in music. They composed music and created sound effects for a short animated film, advertising jingle, pop song and an action short.

The Lower and Upper School music teacher, Maria Slowey-Johnson, used the piano lab for grades 3-7, recorder, percussion ensembles, and the grade-level concerts (grades 1-3) into the general music program. Lower School students participated in many fine arts experiences this year. Grades 4-6 visited the Philadelphia Orchestra at the Kimmel Center for “Expressions of Art in Music” after a visit by the orchestra docent, who taught the students about the program, its music and the artistic connections. First grade visited the Walnut Street Theater to see “The Christmas Carol” musical. In May 2016, the fifth and sixth grades presented “The Lion King” musical.

Paul Eaton, Fine Arts Department Coach, continued to be responsible for the Upper School music performance program, in addition to leadership of the Lower School choir and band. The school community enjoyed spectacular winter and spring concerts as mentioned above as well as student participation in Band, Bell Choir and Chorus. This year all performing organizations produced multiple music videos and recordings seen on YouTube and released as an audio recording entitled “The Voices of Girard,” the first combined effort for the Lower and Upper School in an audio recording in many years. Additionally, the Art Department mounted their annual Art Show opening in the Upper School Library in May 2016, incorporating live student performance with the entire Girard community, parents, alumni and friends in attendance. The artwork was created by continued guidance of art teachers Christine Eneyd (Upper School) and Christine Seonia (Lower School). Overall, the results remain extremely positive, continue to support the Girard community in a holistic educational experience and prepare our students to become lifelong learners and productive citizens. Both art teachers continue long-standing relationships with Pennsylvania Academy of the Fine Arts, The Art Museum, Temple University, and The Barnes Foundation in attending many field trips, hosting visiting artists and student teachers.

As the Organ Curator of Girard College, Paul Eaton with the support of President Armbrister created the Girard College Organ Guild during the 2015-2016 academic year. The Girard College Organ Guild is a group of individuals charged with stewardship of the Girard College E.M. Skinner Opus 872 organ. Formed through the collaboration of the Girard College Music Department, Girard College administration and members of fine arts and organ communities, the Guild aims to both preserve the organ and promote organ music, to Girard students and the world.

STANDARDIZED TESTING

To remain consistent with standardized assessments and compare student test data to the nation, to the state and internally, the Pennsylvania System of School Assessment (PSSA) and Keystone Exams were administered online to the students in spring 2016. Students in grades 3-8 were administered online assessments in English and Language Arts (ELA) and Math, and Science for grades 4 and 8 only. Keystone exams were administered online to students in grades 9 and 10 in Literature and Algebra I. Students in grade 11 were administered the Biology exam online. Students in Grades 11 and 12 were required to retake Keystone exams for a second opportunity to meet the school’s “Proficient” or “Advanced” standards in Literature and Algebra I.

COLLEGE ADVISING AND YOUNG ALUMNI SUPPORT

The Office of College Advising and Young Alumni Support (CAYAS), headed by Tony Askew, is responsible for providing career and college advising to the existing Girard College Upper School population and Girard alumni who have graduated in the last 15 years.

To support Girard students, the CAYAS staff takes a multifaceted approach. Beginning to work with students as early as in the ninth grade, we expose them to the college and career guidance software called Naviance. Through this system, students take interest inventory assessments and explore areas of possible career interests based on their knowledge, skills, abilities and interests. Additionally, CAYAS supports and facilitates the college enrollment process by helping students and their families navigate both the enrollment and financial aid processes.

In the 2015-2016 school year, 100% of the graduating class applied to and were offered admission to at least one college. Twenty-six seniors generated nearly 400 college applications of which 83% of those applications resulted in offers of admission.

The Young Alumni Support component continues to expand as service utilization increases. A greater number of students have been completing their undergraduate programs and seeking advice on enrollment in graduate-level programs. CAYAS continues to administer scholarship programs in conjunction with the Girard College Alumni Association and certain individual trusts of the Board of Directors of City Trusts' Sundry Trusts. These generous scholarship awards make it possible for many Girard graduates to attend college who may not have otherwise. CAYAS continues to provide support to Girard alumni in a number of ways, including but not limited to: career advising, assistance with application to and scholarship search for graduate schools, resume writing, interview preparation, letters of recommendation and general career and life coaching. Each year the office hosts several Young Alumni Event where young alumni are invited to share experiences and build a stronger alumni network among the younger graduates.

ATHLETICS

A slight uptick in enrollment figures and increased interest in athletics has yielded strong participation and engagement in Girard College athletic programs. In addition, track was added to the menu of options for our students and the school has garnered national recognition as a result. Freshman Thelma Davies and her volunteer coach, alumnus Diamond Woolford '99, have taken the indoor track world by storm. Davies competed at various track meets, resulting in her place as the #1 female in grade 9 in the United States in the 60 meter dash! Her time places her as the fastest girl (of any high school grade/age) at this event in the state of Pennsylvania.

As enrollment climbs slightly, we hope to add golf, tennis and swimming. Additionally, we are in the early stages of exploring a lacrosse program.

Girard scholar-athletes work hard and exemplified Girard's Core Values in practices and games. Our students fulfill their commitment to Girard College by displaying excellent sportsmanship, integrity, grit and teamwork on the playing fields! The merits of the athletic classroom are on full display for 2015-2016.

The following competitive sports teams were offered during the 2015-2016 school year:

FALL:

Varsity Boys Soccer
Varsity Girls Soccer

WINTER:

Varsity Boys Basketball
Varsity Girls Basketball

SPRING:

Varsity Baseball
Varsity Softball

ACTIVITIES

THE DUKE OF EDINBURGH AWARD PROGRAM

Due to changes at the national level, the Queen's Jubilee Foundation has ceased operation of its support of the Duke of Edinburgh program in Philadelphia.

EXTENDED DAY

The Academic and Residential Deans collaborated to fulfill the academic formula for the extended-day program (3:45 p.m.-5:15 p.m.). Five "strands" or areas of instruction and experience were determined and then implemented. They are: Advanced Learning and Academic Support, Performing Arts and Culture, Service and Community, STEM (Science, Technology, Engineering and Math) and Wellness. Overall, Girard has reached a reasonable level of its goals and each grade level will have had exposure in all strands. One welcome accomplishment was that all students had swimming instruction.

MOCK TRIAL

In the Girard College Mock Trial Program for 2015-2016, 16 students formed two separate teams and completed another very successful season. Under the guidance of Ed Beister and Richard Lowe from the law firm of Duane Morris, Team Two finished the regular season in the top three schools in the "Developmental Division." They advanced to the "sweet sixteen" of the competition before losing. Team One was a "Cinderella Story." This team also encountered many challenges and not only advanced to the "sweet sixteen" but made it to the quarterfinals of the entire competition. In that round, Team One lost a very close trial to Germantown Friends but finished as the sixth ranked team in the entire Philadelphia Region. Alumnus Ron Marrero, Cathy Cramer and Cindy Morgan were the attorneys volunteering as coaches of Team One.

MODEL UNITED NATIONS

Girard has 14 students (grades 7 and 8) participating in this program. Graduate students from St. Joseph's University are assisting our students in developing resolutions that address the topics of the refugee crisis and internet security. They will be representing France and Costa Rica. This program culminates in a trip to the United Nations in June.

NATIONAL HONOR SOCIETY

In 2015-2016, Girard College's chapter of The National Honor Society welcomed six new members. Seniors Muqtadir Idowu, Ismail Rivera-Sabir, Makayla Lowe, JaiLyn Beaufort and India Watson as well as Sophomore Remiah Hughes were inducted during Chapel service in January 2016. They joined current members Tiyanna Brown, Omotara Odedere and Danielle Ibuaka.

PUBLIC SPEAKING

The Girard/UPenn Public Speaking program is led by Professor Sue Weber from the University of Pennsylvania and her graduate students. They offer 14 Girard students in grades 8-11 the opportunity to improve their presentation skills. The students' concluding event was held on Penn's campus.

SCOUTING

Boy Scout Troop 400 continued to offer programs that help Girard young men grow in leadership skills and values-based outdoor education. The troop has grown to a total of 43 boys this year with three of last year's scouts "aging out" of the scouting program but staying involved as adult leaders. During 2015-2016, there were 10 scouts working on their Scout advancement, 20 scouts working on their Tenderfoot advancement, five scouts working on their Second Class advancement, four working on their First Class advancement, two working on Star, one on Life and one on Eagle. Two scouts attended the National Youth Leadership Training in September 2015. This year, the troop sponsored one hiking day trip, seven weekend camping trips, one week-long summer camping trip and two community service activities. In summer 2016, Girard provided the opportunity for 10 scouts to attend a summer camp. A big thank-you goes to the GCAA for its continued financial support of the scouting program at Girard College.

The Girl Scout program was not active during the 2015-2016 school year.

STUDENT GOVERNMENT

Led by Student Body President Reginald Morgan, Girard's Student Government was active in community service projects this year.

The Student Council's efforts were focused on developing the leadership skills of the members of Student Council, and the members of any adjacent, student-run organizations on campus. These skills included time management, public speaking and goal-setting.

Additionally, Student Council continued to empower the members of the student body through the new traditions of Spirit Week and the Pi Day Celebration.

TRIPS to NICARAGUA and COSTA RICA

Spanish students traveled to Nicaragua and French students traveled to Costa Rica during spring break. The French students had originally hoped to go to Paris but concerns about safety traveling to and in Europe led us to change plans. Students made a presentation to the Board of Directors of City Trusts and another to the student body. This was a life-changing experience for these Girard students who would all love to go back!

WORLD AFFAIRS COUNCIL

The Upper School formed its own World Affairs Council four years ago. This year, 20 students participated on the Summit on Global Terrorism in November 2015 that was sponsored by the Philadelphia World Affairs Council. Girard students and other students from throughout the entire Philadelphia region gathered to hear experts sharing their research, statistical data and positions on the topic of climate change. Small teams of students then worked with other students, representing specific countries, to propose solutions that were presented to the entire assembly. Our students also proposed plans to lend assistance to third world countries to help them deal with serious problems like water scarcity and disease control at the Global Economic Forum in April 2016

COMMUNITY

COMMUNICATIONS

Website

A regular visitor to girardcollege.edu will always find something new in the Events and News sections of the site. Videos are regularly added to our YouTube channel.

In 2015-2016, the Admission section of the website was significantly improved.

Constituents receive scheduled e-Newsletters and special “breaking news” eNews for events and announcements. Examples include inviting constituents to the Grand Organ Concert and announcing the partnership with A Better Chance.

Girard’s social networking sites continue to grow in importance:

Facebook: “Friends of Girard College (FOGC)”

Message 3-7 times per week

Membership has risen

January 2011	343 members
June 2013	443 members
June 2014	580 members
June 2015	653 members
April 2016	842 members

The Director of Communications follows and contributes to four other Facebook communities:
Girard College Alumni Association, Girard College Young Alumni, GC Family and Girard College Family Association.

Twitter: “@GirardCollege”

Message 3-7 times per week;

Membership has risen:

May 2011	0 followers
June 2012	95 followers
June 2013	203 followers
June 2014	284 followers
June 2015	380 followers
April 2016	478 followers

Twitter: “@GirardAthletics”

Membership has risen:

June 2013	54 followers
June 2014	88 followers
June 2015	92 followers
April 2016	92 members

The Communications Director added Instagram to her social networking outlets, posting photos approximately 3 times per week.

The collaborative print newsletter “Girard Today/Steel & Garnet” was published three times this year: October 2015, March 2016 and June 2016.

Lower School Communications: The Lower School Academic Dean, Cannie Shafer, sends home a “Friday Folder” every week that families must sign for. It includes a weekly newsletter and bi-weekly academic reports. The weekly newsletter is also posted online. Update letters go home with report cards at the end of each trimester.

Lower School faculty receive a weekly e-Newsletter as well, the “Monday Memo,” with reminders and important information for the week ahead from Dean Shafer.

Internal Communication:

All staff receive the Weekly All-Staff Bulletin from the Communications Office on Thursdays throughout the year.

FAMILY PARTNERSHIPS

As an important part of our efforts to increase and improve communication with and involvement of our parents and guardians, we continue to emphasize our “partnering” requirements. Again this year,

parents/guardians were required to attend both parent-teacher conferences and two of the four All-Parent meetings.

At the first meeting, special guest speaker and alumnus Mr. Leonard Hook, Class of 1977, encouraged parent/guardian participation and involvement in their children's education within the Girard College community. Families were also informed of the updates and enhancements to the "Extended-Day Program," the extracurricular program implemented in the afternoons.

The second meeting shared a general introduction to the restructuring of the grades 1-8 and 9-12 programs for the 2016-17 academic school year. The third meeting presented the school's implementation plans for the reorganization of the new "Elementary and Middle Schools," and new "High School" program, with an explanation to curriculum and future summer programming.

At the fourth meeting of the year, a special guest presented information session on the digital media awareness and the use of social media within our youth. The educator included tips and resources to parents and guardians to monitor their children's presence on the Internet. In addition, our new "Principles of Community" was shared with the parent community in anticipation of the necessity of a cultural shift in the next academic year (you may view the new community agreement online under "Current Parents").

Although level of parental engagement improved, the Girard College Family Association (GCFA) went on hiatus with a prospective change in leadership and GCFA's vision.

New this year: Parents receive the Weekly Parent eNews on Fridays.

- Kelly Bond (Spanish Teacher), Pat Forbes-Clare (English and French Teacher), and Lolita Gaillard (French Teacher) attended the Successfully "Flip" Learning in Your World Language Classroom Workshop
- Christine Eneyd (Art Teacher) attended two Pennsylvania Art Education Association conferences
- Jennifer Schmehl (Math Teacher) attended Concrete Representational Abstract-Multiplication and Division, Concrete Representational Abstract-Fractions, Concrete Representational Abstract-Integers and Equations, Using Writing to Enhance Students' Mathematical Understanding and will be attending the Practical Strategies to Successfully "Flip" Your Math Instruction.
- Hye-Kyong Kim (Math & Technology Specialist) will be attending Making Best Use of Free GOOGLE TOOLS to Enhance Content Learning, Technology Gold Mine and International Society for Technology. HK is also enrolled in a master's degree program.
- Monet Thomas-Anderson (Science Teacher) attended the National Science Teachers Association (NSTA) Conference.
- Maureen Burke (English Teacher) also attended Meet the Rigorous Common Core State Standards for Writing: Helping Students to Produce Well-Written Arguments, Informative/Explanatory Pieces and Narratives and Help Students Write better Research Papers While Reducing Your Paper Load

SUNDRY TRUSTS

Net income from the Sundry Trusts was distributed during the year, in accordance with the terms of each individual trust, as set out in the financial statements contained on the following pages of this report.

During the calendar year 2016, income from the funds designated for the purchase of fuel for the poor provided \$230,000 in assistance for the purchase of home heating oil and natural gas.

The Board approved scholarship aid totaling \$94,000 to students of the Philadelphia public and parochial schools. In addition, scholarship aid from various funds provided financial assistance to graduates of Girard College attending institutions of higher learning totaling \$246,000. Prizes and medals awarded to students attending the public schools in Philadelphia and students at Girard College amounted to \$11,000.

Selection of recipients of the John Scott Medal is made with the invaluable assistance of the John Scott Award Advisory Committee composed of:

Hon. Ronald R. Donatucci, Chairman

President, Board of Directors of City Trusts

Harvey Rubin, M.D., Secretary

School of Medicine, University of Pennsylvania

Clyde F. Barker, M.D.

Donald Guthrie Professor of Surgery, Hospital of the University of Pennsylvania

Hai-Lung Dai, Ph.D.

Laura H. Carnell Professor and Provost, Temple University

Katherine W. McCain, Ph.D.

Professor Emeritus, Department of Information Science, College of Computing & Informatics,
Drexel University

Anna Marie Skalka, M.D.

W.W. Smith Chair in Cancer Research and Basic Science Director Emerita, Fox Chase Cancer
Center,

Amos B. Smith III, Ph.D.

Rhodes-Thompson Professor of Chemistry, University of Pennsylvania

In February 2017, Eugene Garfield, Ph.D., Chairman Emeritus, Thomson Reuters Scientific, passed away. Mr. Garfield served on the Committee since 1976 and was also a past recipient of the award in 1986.

The 2016 John Scott Medals and cash awards were awarded to:

- Carl H. June, M.D. (\$12,000) for his work on developing and testing novel forms of immunotherapy for cancer and chronic infections.
- Emmanuelle Charpentier, Ph.D. (\$6,000), Jennifer Doudna, Ph.D. (\$6,000) and Feng Zhang, Ph.D. (\$6,000) for elucidating the molecular mechanisms governing CRISPR-Cas systems, which defend prokaryotic cells against viruses and foreign nucleic acids and for enabling the application of these systems as revolutionary tools for genome control and editing.

WILLS EYE HOSPITAL

	2016	2015
Wills Eye Hospital Surgeries	11,117	10,616
Outpatient Volume	187,000	183,000
ASC Surgeries	23,569	23,590

In 2016, Wills Eye Hospital completed its recruitment of internationally recognized vision science epidemiologist Leslie Hyman, Ph.D. Dr. Hyman has launched recruitments efforts in biostatistics and vision science at the same time as she has formed internal and external advisory committees to coalesce the immense amount of clinical data, experience, and talent at Wills Eye Hospital into a newly reorganized research center with national and international stature

Our residency program continues to thrive. We received over 500 applications for eight spots this year in our Residency Program and matched eight terrific young physicians, all at the very top of the USA Medical School Class of 2016 for our Class of 2020.

In 2016, another class of outstanding residents graduated from Wills. Dr. Nika Bagheri went to Bascom Palmer in Miami for a Retina Fellowship; Dr. Charles M. Calvo went into private practice at the Phoenix Indian Medical Center in Phoenix; Dr. Michael Cohen went to Tufts New England Eye Center in Boston for a Retina Fellowship; Dr. Alia Durrani went to Vanderbilt University in Nashville for a Retina Fellowship; Dr. Wen-Shi (Wendy) Shieh went to TRI Retina Institute in St. Louis for a Retina Fellowship; Dr. Christine Talamini joined a private practice in New Jersey; Dr. Brynn Wajda went to UT Southwestern Medical Center in Dallas for an Oculoplastics Fellowship; and Dr. Alice Williams stayed at Wills Eye to do a Glaucoma Fellowship.

Wills Eye research in 2016 included four innovative research projects. The first project, already in its fifth year, is a \$2.3 million Department of Defense sponsored research project titled "Evaluation of the Effectiveness and Safety of Transcorneal Electrical Stimulation to Improve Visual Function after Ocular Trauma." Two projects are supported by the Centers for Disease Control and Prevention (CDC): a \$1.25 million CDC funded study titled "Overcoming Barriers to Vision Care Utilization among African-Americans with Diabetes" studying barriers to care which was completed in September 2016 and a \$3 million research project investigating innovative ways to improve follow-up care titled "Wills Eye Community Intervention to Improve Glaucoma Detection and Follow-up Care." The fourth project, which completed its third year in December 2016, is supported by a private foundation, the Deerbrook Charitable Trust. The Deerbrook Trust sponsored a \$2.28 million city-wide, elementary school vision screening program titled "Wills Eye Elementary School Screening Program." The project funding was renewed by the Deerbrook Charitable Trust for an additional 18 months from January 2017 to June 30, 2018 and the Wills Eye Development Office has secured \$130,000 additional funding from donors to continue to support the program. Ongoing fundraising to sustain the project is currently underway.

Wills researchers serve as co-investigators on federally funded projects awarded to Jefferson University. Dr. Julia Haller serves as a co-investigator on Dr. Barry Rovner's National Institutes of Health (NIH) funded study, "Collaborative Care for Depression and Diabetic Retinopathy in African Americans." Dr.

Alex Levin serves as a co-investigator on Dr. Esther Biswass-Fiss's NIH-funded study titled "Biomolecular Analysis of Proteins in Visual Diseases." In addition, Dr. Lisa Hark serves as a co-investigator on the NEIGHBORHOOD study with Massachusetts Eye and Ear Hospital at Harvard University to study the genetic biomarkers in patients with primary open-angle glaucoma titled, NEIGHBORHOOD Consortium for Primary Open Angle Glaucoma. Other NIH studies that Wills researchers serve as co-investigators include collaborations with the University of Pennsylvania, the University of California at San Francisco, and the Jaeb Center for Health Research.

Finally, industry sponsored research has increased and is now a significant portion of the Wills research portfolio. Wills has industry sponsored studies being conducted in three different departments: the Department of Research under the leadership of Dr. Haller and Dr. Kane; the Glaucoma Research Center under the leadership of Drs. Katz, Myers, and Hark; and the Pediatric Ophthalmology and Ocular Genetics Service under the leadership of Dr. Levin. Innovative drug and device studies such as those supported by Allergan, Alcon, Medpace, Retrophin, and Alcon are available to Wills patients that seek alternatives to current treatments.

Wills Eye continues implementation of its first ever Electronic Health Record (EHR) in the Hospital. The Retina Service has been operational with the new EHR since March 2016 and other services will be added in the coming months. All Retina cases are being charted electronically.

The Nursing staff and management has done a fantastic job in learning and incorporating the new system into daily operations. The Retina Attending and Fellow physicians were enthusiastic, flexible and supportive in making the new EHR a success.

We are in the process of bringing an analytics dashboard to Wills Eye for the financial and clinical information captured in the new EHR System. The analytics dashboard is partially live with Operational and Financial information that presents high-level indicators in a graphical interface and drill-down functionality for the supporting details. The system is in Beta release at present, and we are working with the vendor to finalize it for daily use.

Wills Eye Hospital has successfully transitioned the majority of its medical staff services onto the new Electronic Health Record system (EHR), the most recent service being Pediatric Ophthalmology. The financial system went live in the Hospital in May 2015, while the clinical component went live in April 2016. The implementation of the clinical portion has been very positive, with extensive training and workflow development for nursing, anesthesia, and physicians. In the coming months, the remaining subspecialty services will be added to the implementation.

In fiscal year 2016, Wills embarked on a comprehensive development effort to enhance its telemedicine program. With the advent of handheld retinal cameras that capture very good quality images of the retina, we can now pair that technology with cloud-based ordering, image capture, interpretation, and results delivery software in order to create an extremely attractive public health service by remotely screening diabetic patients for potential diabetes-related eye disease. In early 2017, Wills completed a comprehensive upgrade of its telemedicine platform, which includes a dynamic module-building platform for additional diagnostic and medical services, an HL7 interface engines for seamless integration with EHR systems, and automatic uploading of diagnostic images based on hand-held camera docking. Wills Eye Telemedicine is targeting aggressive expansion in the remaining fiscal quarter and is developing training and certification programs for the remote capture of diagnostic images.

Development activities have centered on support for strategic clinical programs, endowed chairs, research infrastructure and studies, and educational and community outreach programs. Cash gifts and income from trusts and estates totaled \$6,999,000 during fiscal year 2016.

Gifts of significance include:

Continued support of \$766,000 from the Deerbrook Charitable Trust for the Vision Screening Program

Continued support of \$175,000 from the Gray Charitable Trust for the femtosecond laser and the Gray Fellowship in Cornea

Unrestricted bequest of \$111,000 from the estate of Maria Nitikin

\$100,000 from the Hearst Foundation to equip the new CPEC facility

Continued support of \$100,000 from the Alcon Foundation for telemedicine

\$100,000 from the Alumni Society for CPEC equipment

Three year pledge of \$75,000 for retina implant research and an additional gift of \$12,000 in support of Form in Art from Fernando Galaviz

Continued support of \$75,000 from the Heersink Family for a Fellowship in Cornea

Wills Eye Hospital was notified by the Executor of the Estate of Myron Anthony Portenar that the hospital is one of three charitable beneficiaries of an estate valued at \$15 million or more (the other two beneficiaries are the University of Pennsylvania and Franklin & Marshall College). The bequest to Wills Eye Hospital is likely to exceed \$5 million, is unrestricted and is in memory of Dr. Portenar's wife, Anne Jaffe Portenar. Dr. Portenar is a 1959 graduate of our residency program, resided in Monmouth County, NJ, and died on November 14, 2015.

The fiscal year 2016 annual campaign for the 1832 Society raised \$302,695 from 121 gifts. The average gift was \$2,502. Our two Fund for Vision mailings were sent to over 49,000 people and raised a total of \$47,866 from 931 gifts. The average gift was \$51.41.

The 2016 Spring Golf Classic was held on June 13 at Whitmarsh Valley Country Club. The event attracted 107 golfers and 127 guests who came for cocktails and dinner. The event netted \$54,000, \$5,000 more than 2015. Proceeds of the event benefitted the CPEC renovations.

The third annual reception honoring members of the 1832 Society was held on September 28, 2016. We welcomed 84 members of the Society, special guests, and prospective donors to this event – the highest number of attendees for this event to date. Bob Hugin, Executive Chairman of Celgene Corporation, was our Keynote Speaker. Celgene donated \$10,000 to the Wills Eye Foundation in honor of his participation.

On Saturday, October 29, 2016, Wills Eye served over 1,020 children at the annual Give Kids Sight Day, putting glasses on over 470 children's faces and identifying over 60 children who needed more serious follow-up care. Hundreds of volunteers, physicians, foundations, and businesses participated.

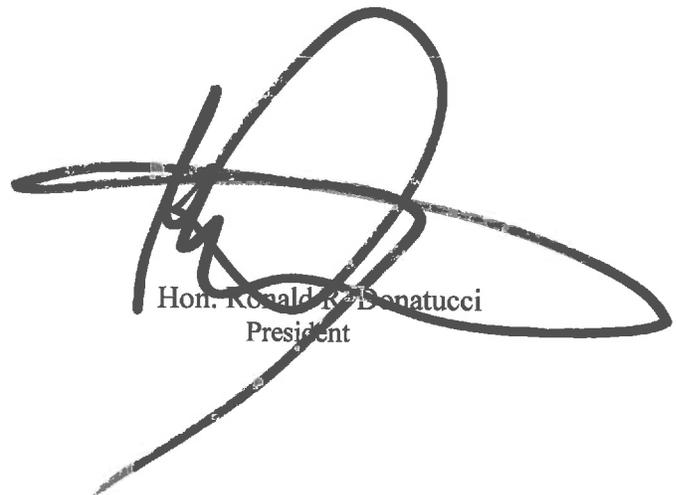
The second annual Ophthalmology All Stars event was held on December 5, 2016. We were pleased to welcome more than 40 major and foundation donors as well as key prospects to this luncheon that featured Dr. Alex Levin and Dr. Leonard Nelson of the Wills Eye Pediatrics and Ocular Genetics Service as our speakers. Within 10 days of the program, we received a gift of \$52,000 in support of the pediatric community ophthalmology program from one of the luncheon attendees.

**RETIREMENT PLANS FOR EMPLOYEES OF THE
BOARD OF DIRECTORS OF CITY TRUSTS**

	Contributory Plan	Girard Non-Contributory Plan	Wills Eye Health System Non-Contributory Plan
DECEMBER 31, 2016:			
Active participants	17	105	21
Retired participants	37	118	250
Terminated participants with vested benefits	6	115	190
Projected benefit obligation	\$ 4,430,000	\$24,580,000	\$36,407,000
Net assets available for plan benefits, at fair value	5,664,000	33,361,000	32,149,000
Annual rate of retirement benefits currently being paid	373,000	1,416,000	2,524,000
YEAR ENDED DECEMBER 31, 2016:			
Employer's contribution	238,000	1,927,000	1,200,000
Investment income from units of the Collective Legal Investment Fund and short-term investments	80,000	463,000	450,000

The Reports of Independent Auditors on the Accounts of each of the several Trusts under the care of the Board appear elsewhere in this report.

On behalf of the Board of Directors of City Trusts,



Hon. Ronald R. Donatucci
President



THE ESTATE OF STEPHEN GIRARD, DECEASED

Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

THE ESTATE OF STEPHEN GIRARD, DECEASED

Table of Contents

	Page
Independent Auditors' Report	I-1
Statements of Net Assets – FASB Basis, June 30, 2016 and 2015	I-3
Statements of Changes in Net Assets – FASB Basis, Years ended June 30, 2016 and 2015	I-4
Statements of Cash Flows – FASB Basis, Years ended June 30, 2016 and 2015	I-5
Notes to Financial Statements – FASB Basis	I-6



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Directors of City Trusts
Philadelphia, Pennsylvania:

We have audited the accompanying financial statements of The Estate of Stephen Girard, Deceased (the Estate), which comprise the statements of net assets – FASB basis as of June 30, 2016 and 2015, and the related statements of changes in net assets – FASB basis and cash flows – FASB basis 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 the basis of accounting described in note 1(c); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – FASB basis of the Estate of Stephen Girard, Deceased, as of June 30, 2016 and 2015, and the changes in its financial position – FASB basis and its cash flows – FASB basis for the years then ended, on the basis of accounting described in note 1(c).



Basis of Accounting

We draw attention to note 1(c) of the financial statements, which describes the basis of accounting. As described in note 10, the Board of Directors of City Trusts is an agency of the Commonwealth of Pennsylvania and, as such, the Estate is subject to the accounting standards promulgated by the Governmental Accounting Standards Board (GASB). The financial statements are prepared in accordance with the standards promulgated by the Financial Accounting Standards Board (FASB), which collectively represent another comprehensive basis of accounting. Our opinion is not modified with respect to this matter.

KPMG LLP

Philadelphia, Pennsylvania
October 25, 2016

THE ESTATE OF STEPHEN GIRARD, DECEASED

Statements of Net Assets – FASB Basis

June 30, 2016 and 2015

(In thousands)

Assets	2016	2015
Cash	\$ 1,222	1,328
Receivables, net	1,928	2,180
Prepaid and other assets	8,320	8,595
Investments	263,905	270,504
Note receivable	—	3,500
Assets held under indenture agreements	35,685	29,011
Property, plant and equipment, net	129,789	134,521
Total	<u>\$ 440,849</u>	<u>449,639</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,388	1,099
Accrued expenses	2,957	2,942
Line of credit	3,500	—
Interest rate swap liability	32,185	25,302
Advance rents and other liabilities	91,596	85,062
Long-term debt	77,166	77,705
Total liabilities	<u>208,792</u>	<u>192,110</u>
Net assets – unrestricted	<u>232,057</u>	<u>257,529</u>
Total	<u>\$ 440,849</u>	<u>449,639</u>

See accompanying notes to financial statements – FASB basis.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Statements of Changes in Net Assets – FASB Basis

Years ended June 30, 2016 and 2015

(In thousands)

	<u>2016</u>	<u>2015</u>
Revenues:		
Realized and unrealized investment (losses) gains	\$ (1,728)	4,153
Income from investments	5,091	7,166
Real estate	25,177	25,420
Girardville area	1,982	2,117
Reimbursements under government programs and other income	676	815
Contributions to Girard College	1,111	949
	<u>32,309</u>	<u>40,620</u>
Total revenues		
Expenses:		
Girard College	19,465	19,381
Management of Girard Estate:		
Real estate	15,964	16,779
Girardville area	599	578
Administration	1,319	1,460
Interest expense	4,205	4,196
Other	40	187
	<u>41,592</u>	<u>42,581</u>
Total expenses		
Loss on extinguishment of debt	—	496
Unrealized loss on interest rate swaps	6,883	3,677
Increase (decrease) in pension benefit obligations	9,306	(809)
	<u>(25,472)</u>	<u>(5,325)</u>
Decrease in net assets		
Net assets, beginning of year	<u>257,529</u>	<u>262,854</u>
Net assets, end of year	\$ <u><u>232,057</u></u>	\$ <u><u>257,529</u></u>

See accompanying notes to financial statements – FASB basis.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Statements of Cash Flows – FASB Basis

Years ended June 30, 2016 and 2015

(In thousands)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (25,472)	(5,325)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	7,858	7,767
Loss on early extinguishment of debt	—	496
Realized and unrealized investment losses (gains)	1,728	(4,153)
Interest rate swap liability	6,883	3,677
Change in operating assets and liabilities:		
Rent and other receivables	252	282
Prepays and other assets	258	29
Accounts payable and accrued expenses	304	(1,108)
Advance rents and other liabilities	6,534	(3,667)
Net cash used in operating activities	<u>(1,655)</u>	<u>(2,002)</u>
Cash flows from investing activities:		
Property additions	(3,109)	(4,351)
Proceeds from asset sales	—	3,493
Proceeds from sales of investments	—	5,694
Purchases of investments	(5,982)	(3,022)
Investments in joint ventures	(16,625)	(4,000)
Repayment of note receivable	3,500	—
Proceeds from joint ventures	19,595	3,144
Net cash (used in) provided by investing activities	<u>(2,621)</u>	<u>958</u>
Cash flows from financing activities:		
Assets held under indenture agreements	1,209	391
Proceeds from line of credit	6,000	—
Payments on line of credit	(2,500)	—
Proceeds from new debt	—	59,200
Payments on long-term debt	(539)	(59,718)
Net cash provided by (used in) financing activities	<u>4,170</u>	<u>(127)</u>
Net decrease in cash	(106)	(1,171)
Cash, beginning of year	<u>1,328</u>	<u>2,499</u>
Cash, end of year	\$ <u>1,222</u>	\$ <u>1,328</u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ 4,187	3,812

See accompanying notes to financial statements – FASB basis.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

(1) The Estate and Summary of Significant Accounting Policies

(a) *The Estate*

Upon his death in 1831, Stephen Girard bequeathed cash and real estate to the City of Philadelphia for the primary purpose of establishing a boarding school for orphans (Girard College). Girard College, in continuous operation since 1848, is now a full scholarship boarding school for grades 1 through 12 situated on a 43-acre campus in Philadelphia for academically capable students from qualified families of limited financial resources. The City of Philadelphia serves as Trustee under the will of Stephen Girard, Deceased, acting by the Board of Directors of City Trusts (hereinafter referred to as the Girard Estate or the Estate) and retains ownership of the assets and obligations of the Estate, which it administers for the benefit of the Estate. The Estate comprises personal property and real estate, principally acquired properties and improvements thereto in Philadelphia and throughout the Commonwealth of Pennsylvania (the Commonwealth) and anthracite coal lands in Schuylkill, Columbia, and Northumberland counties in the Commonwealth in the general vicinity of Girardville, Pennsylvania. The primary operations of the Estate include the funding and operation of Girard College. The funding is derived primarily from the Estate's investment portfolio, real estate assets and anthracite coal assets.

(b) *Petition to Orphans' Court of Philadelphia*

In June 2013, the Board of Directors of City Trusts (the Board) approved the following plan, subject to the approval of the Orphans' Court of Philadelphia (Orphans' Court), regarding the long-term sustainability of Girard College:

- 1) Girard College would temporarily convert its residential program to an extended day program beginning in the 2014–2015 academic year;
- 2) Girard College would temporarily suspend its operation of grades 9–11 beginning in the 2014–2015 academic year;
- 3) Girard College would temporarily suspend its operation of grade 12 beginning in the 2015–2016 academic year.

This plan was a temporary change and, subject to milestones established by the Board, the intent was to grow the school back to a residential academic program serving students from grades 1 through 12 as growth became sustainable. The plan did not involve any plan to close or relocate Girard College. The savings in staff and resources by temporarily suspending the five-day residential program and the high school would enable Girard College to reduce its expenses, repair its buildings, and replenish its investment endowment fund so that the income would be sufficient to maintain the school's operations in the future. The petition requesting approval of the operating plan was submitted to the Orphans' Court on July 29, 2013.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

In October 2013, the Board determined that for the benefit of the children and to end any uncertainties that existed for the students, parents, staff and faculty associated with the implementation of the planned transition for the 2014–2015 academic year, Girard College would continue to operate as a residential boarding school for students in grades 1 through 12 until the 2015–2016 academic year. Also, for the 2015–2016 academic year only, Girard College would offer a nonresidential, extended day academic program serving students in the 12th grade. The Board presented its case to Orphans' Court in July 2014.

In August 2014, the Orphans' Court denied the Board's petition to temporarily suspend the residential and high school programs at Girard College. In September 2014, the Board filed a set of exceptions in the case, essentially asking the Court to reconsider its decision given the weight of the evidence presented during the hearing. Oral argument on the exceptions took place in October 2014. However, in November 2014, the Court maintained its position and denied the Board's exceptions.

In December 2014, the Board filed an appeal of the Orphans' Court ruling to Commonwealth Court. It also announced that Girard College would continue to operate the high school program until the completion of the 2018–2019 academic year regardless of the outcome of the appeal so that all current students in grades 9–12 would be able to graduate. The Board presented its oral argument on the appeal to Commonwealth Court in October 2015. However, in January 2016, the Commonwealth Court affirmed the Orphans' Court ruling, which denied the Board's petition. The Board accepted the Commonwealth Court ruling and continues to operate Girard College as a residential boarding school for students in grades 1 through 12.

(c) *Basis of Accounting*

As described in note 10, the Board is an agency of the Commonwealth of Pennsylvania and, as such, the Estate is subject to the accounting standards promulgated by the Governmental Accounting Standards Board (GASB). However, to prepare the financial statements and notes thereto, the Estate has chosen to follow accounting standards promulgated by the Financial Accounting Standards Board (FASB) applicable to not-for-profit organizations to reflect a presentation that is consistent with historical practices and that is followed by other trusts. Estate management believes that the FASB format presents the results of its diversified educational, investment and real estate activities in a manner that is more meaningful to third parties and to the Board.

If the Estate's financial statements were prepared in accordance with GASB standards rather than FASB standards, the following significant differences would exist:

- Management's discussion and analysis would be required supplementary information.
- Net position, rather than net assets, would be presented. Net position would include, in addition to an unrestricted component, a component for net investment in capital assets.
- Recorded obligations for retirement plans would be accounted for similar to pension obligations under FASB standards, with differences in the rate used to discount future pension benefits to their present value and the method used to attribute pension liabilities to specific periods. Additionally, information on funding progress for the plans would be required supplementary information.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

- The Estate would be required to evaluate the effectiveness of its interest rate swaps as potential hedging derivative instruments. If deemed effective, changes in fair value of the swaps would be recorded as a deferred outflow of resources or a deferred inflow of resources rather than unrealized gain or loss on the statements of changes in net assets – FASB basis.
- Gains and losses related to debt defeasance would be deferred and amortized over the life of the debt rather than recorded as gain or loss at the time of the defeasance.
- Debt issuance costs, except any portion related to prepaid insurance costs, would be recognized as an expense in the period incurred, rather than amortized over the life of the related debt.
- Additional disclosures would be provided regarding:
 - interest rate risk, credit risk, custodial credit risk and concentrations of credit risk related to the Estate’s investments and the Estate’s policies for managing such risks;
 - a description of the risks of loss to which the entity is exposed and the ways in which the risks of loss are managed;
 - pledged revenues under the Estate’s debt agreements;
 - additions to and deductions from the Estate’s capital assets and long-term debt and maturities of interest payments on long-term debt.

(d) Net Assets

In accordance with accounting standards promulgated by the FASB applicable to not-for-profit organizations, net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Temporarily and permanently restricted net assets are not significant and, therefore, all net assets and changes therein are classified and reported as unrestricted net assets in the accompanying financial statements.

(e) Receivables

Receivables include investment income receivable and accounts receivable. Accounts receivable are net of an allowance for bad debts which is estimated based upon the Estate’s assessment of factors related to the collectibility of such receivables. Actual losses may vary from current estimates. These estimates are reviewed periodically and if changes to such estimates are deemed necessary they are recorded in the period in which they become reasonably estimable.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

(f) Investments

At June 30, 2016 and 2015, the Estate's investments were primarily invested in the Collective Legal Investment Fund (the CLIF), which is a pooled investment fund of the assets of all the trusts administered by the Board. Such investments are stated at fair value. Units of the CLIF are normally purchased and sold based on the available cash and cash requirements of the Estate. Gains and losses from the sales of such units, determined on the last-in, first-out method, are included in the statements of changes in net assets – FASB basis. The change in the difference between aggregate market value and the cost of investments from the beginning to the end of the year is reflected in the statements of changes in net assets – FASB basis. Earnings from the CLIF are allocated based on units held.

The CLIF participates in a securities lending program as a means to generate incremental income. Through this program, the CLIF may lend its securities to qualified borrowers, through its lending agent, that meet certain guidelines as established by the Board. All borrowings are initially secured by collateral in an amount equal to at least 102% of the fair value of the securities loaned and are marked to market daily. Each business day, the amount of collateral is adjusted based on the prior day's closing fair value. The collateral is invested in cash and cash equivalents. Income from lending activity is determined by the amount of interest earned on the invested collateral, a portion of which is allocated to the lending agent. The CLIF also is entitled to receive interest and dividends from securities on loan.

As of June 30, 2016 and 2015, the CLIF had loaned out certain securities, returnable on demand, with a market value of \$214,144,000 and \$41,976,000, respectively, to several financial institutions that have deposited collateral with respect to such securities of \$219,802,000 and \$43,033,000, respectively.

The Estate is the minority partner in several joint ventures which are accounted for on the equity method.

(g) Assets Held Under Indenture Agreements

The Collateral Pledge and Security Agreement related to the Series of 2014 Refunding Bonds requires funds to be deposited with a trustee as security for outstanding debt obligations related to the Estate's associated interest rate swap agreement. Assets held under indenture agreements consist of cash equivalents and securities segregated for this purpose within the CLIF.

(h) Interest Rate Swaps

The Estate's interest rate swaps related to its debt are measured at fair value and are recognized as assets or liabilities in the statements of net assets – FASB basis. Changes in the fair value from year to year are recognized in the Statement of Changes in Net Assets – FASB Basis.

(i) Property, Plant, and Equipment

Property, plant, and equipment comprise land, equipment, and real estate improved and acquired for investment purposes, Girard College real property and facilities and construction-in-progress.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

Expenditures for property, plant, and equipment are recorded at cost. Improvements to buildings and Girard College capital assets are stated at cost less accumulated depreciation calculated on a straight-line basis over the estimated useful lives, ranging primarily from 5 to 35 years. Alterations for tenants are stated at cost less accumulated depreciation calculated on a straight-line basis over the terms of the respective leases. Equipment is stated at cost less accumulated depreciation calculated on a straight-line basis over the estimated useful lives, ranging primarily from 5 to 20 years.

Long-lived assets to be held and used are assessed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If circumstances indicate a long-lived asset is impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

(j) ***Fair Value***

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market and U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities and corporate debt securities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include 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.

The Estate measures its investments and interest rate swaps related to its debt at fair value in accordance with other accounting pronouncements. The Estate's valuation methodology for each of these items is described in the paragraphs below. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest-level input that is significant to the fair value measurement.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

Collective Legal Investment Fund

At June 30, 2016 and 2015, the Estate's investments include shares owned in the CLIF which invests in the following types of securities:

Equity Securities

Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, they are categorized in Level 1 of the fair value hierarchy.

Debt Securities

U.S. government securities are generally valued at the closing price reported in the active market in which the individual security is traded, if available (Level 1 inputs), or yields currently available on comparable securities (Level 2 inputs)

Listed asset-backed securities are valued based on quoted market prices from the active market in which the instrument is principally traded and are categorized in Level 1 of the fair value hierarchy. If such quoted prices are not available, the fair value of the security is estimated based on models considering the estimated cash flows and expected yield. Such investments are categorized as Level 2 or Level 3 based on the extent inputs are observable and timely.

Other debt securities are valued at the closing price reported in the active market in which the security is traded, if available. If such information is not available, debt is valued based on yields currently available on comparable securities for issuers with similar credit ratings (Level 2 inputs).

Private Equity Funds

Net asset values provided by limited partnership investees are based on the net asset value per share as reported by the investee as a practical expedient. Net asset value may differ from fair value as otherwise calculated. Such investments, which are measured at net asset value per share as a practical expedient to fair value, have not been categorized in the fair value hierarchy table below.

Interest Rate Swaps

The fair value of the Estate's interest rate swaps related to its debt obligations is based on a discounted cash flow model with Level 3 inputs including the value of the relevant market index upon which the swap is based.

(k) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

Estate’s most significant estimates include actuarial assumptions used to determine pension benefit obligations and interest rate swaps. Actual results may differ from those estimates and assumptions.

(l) Asset Retirement Obligation

Substantially all of the Estate’s asset retirement obligations represent estimated costs to remove asbestos within the Estate properties. The following is a reconciliation of the Estate’s remaining asset retirement obligation for the years ended June 30, 2016 and 2015 (in thousands):

Balance, June 30, 2014	\$	836
Remediation		(3)
Accretion expense		50
		<hr/>
Balance, June 30, 2015		883
Remediation		(13)
Accretion expense		40
		<hr/>
Balance, June 30, 2016	\$	<u>910</u>

The liability is recorded as a component of advance rents and other liabilities in the statements of net assets – FASB basis.

(m) New Accounting Pronouncements

FASB Accounting Standards Update (ASU) No. 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent), was effective for December 31, 2015. ASU No. 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient. The presentation in note 2 reflects the implementation of the provisions of ASU No. 2015-07.

(2) Investments and Assets Held Under Indenture Agreements

The following summarizes the Estate’s investments as of June 30, 2016 and 2015 (in thousands):

	<u>2016</u>	<u>2015</u>
3,105,341 and 3,036,756 Collective Legal Investment		
Fund units, respectively	\$ 242,406*	252,609*
Joint ventures	21,304	17,701
Money market funds	195	194
	<hr/>	<hr/>
Total investments	\$ <u>263,905</u>	<u>270,504</u>

* Amounts exclude \$35,685,000 at June 30, 2016 and \$27,802,000 at June 30, 2015 that are segregated within the CLIF to comply with the requirements of certain debt, line of credit and swap agreements. Such amounts have been included in assets held under indenture agreements to reflect the restriction on their use.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

The composition of the Estate's investment returns for the years ended June 30, 2016 and 2015 are as follows (in thousands):

	<u>2016</u>	<u>2015</u>
Net realized gain on sales of CLIF investments	\$ 394	1,596
Unrealized appreciation (depreciation) in fair value of CLIF investments	(8,697)	2,823
Dividend and interest income, net	4,736	6,169
Total CLIF (loss) income	<u>(3,567)</u>	<u>10,588</u>
Gain on sales of joint ventures	7,615	—
Share in joint ventures' operating (loss)	(1,040)	(266)
Total joint venture income (loss)	<u>6,575</u>	<u>(266)</u>
Other	355	997
Total investment income	<u>\$ 3,363</u>	<u>11,319</u>

(a) ***Collective Legal Investment Fund***

The CLIF is a balanced portfolio composed primarily of equity, fixed-income and short-term investment securities. It is intended to be more aggressive than income-oriented portfolios and less aggressive than equity-oriented portfolios. All asset classes, other than alternative investments, must have a readily ascertainable market value and must be readily marketable. The Board's investment policy does allow private investment funds on a limited basis. As of June 30, 2016, 1.7% of the CLIF assets have been invested in this asset class.

The equity portfolio is well diversified to avoid undue exposure to any single economic sector, industry group or individual security.

Risk, volatility and the possibility of loss in purchasing power are present to some degree in all types of investment vehicles. While high levels of risk are normally avoided, the assumption of risk is warranted and encouraged in order to allow the opportunity to achieve satisfactory long-term results consistent with objectives and fiduciary character of the CLIF. The volatility of returns are monitored and evaluated on a continuing basis.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

At June 30, 2016 and 2015, the Estate owned approximately 58.73% and 57.80%, respectively, of the total units in the CLIF. The total investments of the CLIF at fair value as of June 30, 2016 and 2015 are as follows (in thousands):

	<u>2016</u>	<u>2015</u>
Short-term investments	\$ 18,475	12,230
Equities:		
Common stock	205,405	228,438
Exchange-traded funds	46,990	55,082
International equity mutual funds	29,154	30,530
Fixed income:		
U.S. government and agency obligations	31,003	30,873
Corporate and other bonds	86,924	84,165
Asset-backed securities	2,839	3,844
Mutual Funds	20,419	—
Global tactical asset allocation mutual funds	24,037	29,376
Private equity	8,259	10,618
Total investments in the CLIF	<u>\$ 473,505</u>	<u>485,156</u>

The CLIF's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, Level 2, or Level 3 for the years ended June 30, 2016 or 2015 other than the effect of ASU 2015-07 as described in note 1(n).

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

The following table presents the CLIF's fair value hierarchy for assets held in the CLIF measured at fair value on a recurring basis as of June 30, 2016 (in thousands):

	2016 Fair value	Fair value measurements at June 30, 2016 using	
		Level 1	Level 2
Short-term investments	\$ 18,475	18,475	—
Equity securities:			
U.S. common stocks:			
Industrials	25,940	25,940	—
Consumer discretionary	32,297	32,297	—
Consumer staples	18,149	18,149	—
Energy	11,448	11,448	—
Financial	33,057	33,057	—
Materials	7,774	7,774	—
Information technology	35,489	35,489	—
Utilities	4,109	4,109	—
Healthcare	28,454	28,454	—
Telecommunications and other	8,688	8,688	—
Total U.S. common stocks	<u>205,405</u>	<u>205,405</u>	<u>—</u>
Exchange traded funds:			
S&P 500 Index SPDR	25,535	25,535	—
Select Sector SPDRs	21,455	21,455	—
Total exchange traded funds	<u>46,990</u>	<u>46,990</u>	<u>—</u>
International equity mutual funds	<u>29,154</u>	<u>29,154</u>	<u>—</u>
Total equity securities	<u>281,549</u>	<u>281,549</u>	<u>—</u>
Fixed income:			
Debt securities issued by the United States			
Treasury and other U.S. government corporations and agencies	29,773	29,610	163
Debt securities issued by states of the United States and political subdivisions of the states	1,164	—	1,164
Debt securities issued by foreign governments	66	—	66
Corporate debt securities	86,924	—	86,924
Asset-backed securities	1,189	—	1,189
Residential mortgage-backed securities	852	—	852
Commercial mortgage-backed securities	798	—	798
Mutual Funds	<u>20,419</u>	<u>20,419</u>	<u>—</u>
Total fixed income	141,185	50,029	91,156
Global tactical asset allocation mutual funds	<u>24,037</u>	<u>24,037</u>	<u>—</u>
Total	465,246	<u>374,090</u>	<u>91,156</u>
Private equity funds reported at net asset value per share as a practical expedient	<u>8,259</u>		
Total investments in the CLIF	<u>\$ 473,505</u>		

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

The following table presents the CLIF's fair value hierarchy for assets held in the CLIF measured at fair value on a recurring basis as of June 30, 2015 (in thousands):

	2015 Fair value	Fair value measurements at June 30, 2015 using	
		Level 1	Level 2
Short-term investments	\$ 12,230	12,230	—
Equity securities:			
U.S. common stocks:			
Industrials	26,702	26,702	—
Consumer discretionary	39,176	39,176	—
Consumer staples	10,138	10,138	—
Energy	12,913	12,913	—
Financial	41,338	41,338	—
Materials	7,891	7,891	—
Information technology	47,159	47,159	—
Utilities	2,157	2,157	—
Healthcare	34,155	34,155	—
Telecommunications and other	6,809	6,809	—
Total U.S. common stocks	<u>228,438</u>	<u>228,438</u>	<u>—</u>
Exchange traded funds:			
S&P 500 Index SPDR	34,869	34,869	—
Select Sector SPDRs	20,213	20,213	—
Total exchange traded funds	<u>55,082</u>	<u>55,082</u>	<u>—</u>
International equity mutual funds	<u>30,530</u>	<u>30,530</u>	<u>—</u>
Total equity securities	<u>314,050</u>	<u>314,050</u>	<u>—</u>
Fixed income:			
Debt securities issued by the			
United States Treasury and other			
U.S. government corporations and agencies	29,152	26,665	2,487
Debt securities issued by states of the United			
States and political subdivisions of the states	1,159	—	1,159
Debt securities issued by foreign governments	562	—	562
Corporate debt securities	84,165	—	84,165
Asset-backed securities	2,019	—	2,019
Residential mortgage-backed securities	29	—	29
Commercial mortgage-backed securities	1,796	—	1,796
Total fixed income	<u>118,882</u>	<u>26,665</u>	<u>92,217</u>
Global tactical asset allocation mutual funds	<u>29,376</u>	<u>29,376</u>	<u>—</u>
Total	<u>474,538</u>	<u>382,321</u>	<u>92,217</u>
Private equity funds reported at net asset value per share as a practical expedient	<u>10,618</u>		
Total investments in the CLIF	<u>\$ 485,156</u>		

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

(b) *Joint Ventures*

The Estate has invested in various joint ventures which own diversified real estate assets including an office building leased as an automotive research facility, student housing, apartment complexes, a parking garage and retail/office/industrial facilities for lease in several states. The Estate is entitled to preferred cumulative dividends and/or operational cash flow from net operating income. These investments are accounted for on the equity method.

The following table summarizes the Estate's investments in joint ventures as of June 30, 2016 and 2015 (in thousands):

	<u>2016</u>	<u>2015</u>
Joint venture beginning balance	\$ 17,701	17,111
Additional investments	16,625	4,000
Proceeds from sales of joint ventures	(15,328)	—
Cash distributions	(2,749)	(1,838)
Return of capital	(1,520)	(1,306)
Gain on sales	7,615	—
Share in joint ventures	(1,040)	(266)
Joint venture ending balance	<u>\$ 21,304</u>	<u>17,701</u>

(c) *Assets Held Under Indenture Agreements*

Assets held under indenture agreements at June 30, 2016 and 2015 were \$35,685,000 and \$29,011,000, respectively. Of these amounts, \$35,685,000 and \$27,802,000, respectively, were segregated within the CLIF while the remainder at June 30, 2015 was held in cash and cash equivalents in a separate account with a trustee.

(3) **Note Receivable**

In November 2013, the Estate provided \$3,500,000 in mezzanine financing for the construction of a multi-story apartment building in Philadelphia, Pennsylvania. The note had a not to exceed term of 36 months with interest payable monthly. As part of the same transaction, the Estate provided, for a fee, a \$2,500,000 completion of construction letter of credit through a bank to support the primary construction loan. The bank required the Estate to post collateral equal to the face amount of the letter of credit.

In July 2015, the Estate received \$3,500,000 and all interest due in satisfaction of the note receivable and subsequently thereafter the \$2,500,000 letter of credit was canceled and all collateral was released by the bank.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

(4) Property, Plant and Equipment

Property, plant, and equipment of the Estate as of June 30, 2016 and 2015 are as follows (in thousands):

	2016	2015
Real estate operations:		
Land	\$ 28,152	28,169
Buildings and improvements	127,306	128,034
Tenant alterations	6,236	11,721
Equipment	510	177
	162,204	168,101
Accumulated depreciation	(58,577)	(60,859)
	103,627	107,242
Coal operations:		
Equipment	295	321
	295	321
Accumulated depreciation	(220)	(240)
	75	81
Girard College operations:		
Capital assets	59,093	58,643
Equipment	1,209	1,765
	60,302	60,408
Accumulated depreciation	(34,215)	(33,210)
	26,087	27,198
Total property, plant, and equipment, net	\$ 129,789	134,521

Land and other real estate received under the will of Stephen Girard after his death in 1831 have been assigned no value in the accounts of the Estate and represent various properties in Philadelphia, Schuylkill and Columbia counties in Pennsylvania. Subsequent improvements to buildings and real estate have been capitalized and depreciated.

The Estate recorded depreciation expense of \$7,841,000 and \$7,745,000 in 2016 and 2015, respectively.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

(5) Retirement Plans

(a) Defined-Benefit Plans

Non-union employees of the Estate and Girard College hired prior to September 1, 2010 and certain union employees participate in the Board of Directors of City Trusts Girard Non-Contributory Retirement Plan (Non-Contributory Plan). Certain other union employees participate in the Board of Directors of City Trusts Contributory Retirement Plan (Contributory Plan). Contributions to the Contributory and Non-Contributory plans (the Plans) provide for the payment of estimated normal cost and amortization of the unfunded prior service liability over a 25-year period.

The Estate recorded a liability of \$10,153,000 and \$2,570,000 at June 30, 2016 and 2015, respectively, for the Estate’s unfunded status, which is included as a component of advance rents and other liabilities in the statements of net assets – FASB basis.

The following presents the projected funded status and accrued cost of the Plans for the year ended June 30, 2016 (in thousands):

	Contributory plan	Non- contributory plan
Projected benefit obligations – June 30	\$ (6,780)	(40,233)
Fair value of plan assets – June 30	5,421	31,439
Funded status	\$ (1,359)	(8,794)
Accrued cost recognized in the Estate’s statement of net assets	\$ (1,359)	(8,794)
Accumulated benefit obligation	6,517	38,762
Benefit expense	77	48
Employer contribution	238	1,927
Plan participants’ contribution	38	—
Benefits paid	319	1,352
Weighted average assumptions used to determine benefit obligation and net periodic benefit cost:		
Discount rate	3.48%	3.51%
Expected long-term return on plan assets	7.75	7.75
Rate of compensation increase	3.00	3.00

The expected rate of return on Plan assets was changed to 7.75% at June 30, 2016 and has been employed for both Plans based on their investment in the CLIF. It is a reasonable estimate based on (a) the CLIF’s actual annual rates of return in the past and (b) reasonable expectations with regard to the future annual returns.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

The following presents the projected funded status and accrued cost of the Plans for the year ended June 30, 2015 (in thousands):

	Contributory Plan	Non- Contributory Plan
Projected benefit obligations – June 30	\$ (5,856)	(33,746)
Fair value of plan assets – June 30	5,610	31,422
Funded status	\$ (246)	(2,324)
Accrued cost recognized in the Estate’s statement of net assets	\$ (246)	(2,324)
Accumulated benefit obligation	5,625	32,578
Benefit expense	123	400
Employer contribution	412	1,927
Plan participants’ contribution	38	—
Benefits paid	401	1,255
Weighted average assumptions used to determine benefit obligation and net periodic benefit cost:		
Discount rate	4.20%	4.27%
Expected long-term return on plan assets	8.00	8.00
Rate of compensation increase	3.00	3.00

The components of net periodic benefit cost for the years ended June 30, 2016 and 2015 are as follows (in thousands):

	2016	2015
Amounts recognized in net assets but not yet recognized in net periodic benefit cost:		
Prior service costs	\$ 171	208
Net loss	16,725	7,064
Total amount recognized in net assets	\$ 16,896	7,272
Components of net periodic benefit cost:		
Service cost	\$ 1,056	1,245
Interest cost	1,647	1,628
Expected return on plan assets	(2,924)	(2,786)
Amortization of prior service cost	37	56
Recognized actuarial cost	309	380
Net periodic benefit cost	\$ 125	523

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

The Estate expects to contribute \$353,000 and \$1,247,000 to the Contributory and Non-Contributory Retirement Plans, respectively, in fiscal year 2017.

The expected benefit payments from the Plans for the next 10 years are as follows (in thousands):

	Contributory Plan	Non- Contributory Plan
2017	\$ 389	1,670
2018	378	1,705
2019	367	1,774
2020	390	1,821
2021	378	1,847
Years 2022–2026	1,821	10,183
	\$ 3,723	19,000

The Plans' investments were held in the CLIF at June 30, 2016 and 2015.

	June 30, 2016		June 30, 2015	
	CLIF units held	Percentage of CLIF held	CLIF units held	Percentage of CLIF held
Contributory Plan	59,805	1.13%	59,830	1.09%
Non-Contributory Plan	345,621	6.54	334,370	6.08

(b) Defined Contribution Plan

Girard Estate and Girard College nonunion employees hired after August 31, 2010 participate in the Girard Estate/Girard College Retirement Plan, a 403(b) defined contribution retirement plan. Employees may choose to defer a portion of their compensation in accordance with Internal Revenue Services regulations. Employee contributions are immediately fully vested and are not subject to forfeiture for any reason. Eligible participants receive a discretionary annual employer contribution, which is determined each year. The employer contributions for fiscal years 2016 and 2015 were set at 3% of eligible compensation and in the aggregate were \$27,000 and \$27,000, respectively.

(6) Line of Credit

In April 2016, the Estate entered into a secured revolving line of credit agreement with a bank which provides that the Estate may borrow up to \$15,000,000. Amounts outstanding under this line bear interest at the Daily LIBOR plus 0.90%. If the average amount of the unused line is greater than 50% of the total available line, an unused fee equal to 0.15% on the average daily amount of the unused portion is due annually. The Estate is required to pledge as collateral certain marketable securities with an adjusted (as defined) market value at least equal to the monthly outstanding balance. Such collateral is held in the CLIF and presented as assets

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

held under indenture agreements in the statements of net assets – FASB basis. The line expires on April 19, 2017 with an option to renew by the bank, in its sole discretion. At June 30, 2016, the Estate had outstanding borrowings of \$3,500,000 under this line.

(7) Long-Term Debt

(a) *1101 Market Street Financing*

In May 2012, an insurance company issued a \$20,000,000, 3.95% fixed rate, 10-year term, 25-year amortization note as a partial refinancing of the fee and leasehold interest in the office building located at 1101 Market Street in Philadelphia, Pennsylvania. Repayments of principal and interest began in July 2012 and are due monthly for 10 years up to and including June 2022. At that time, a significant portion of the principal will remain outstanding and will require refinancing or satisfaction.

(b) *Series of 2014 Revenue Refunding Bonds*

On December 1, 2014, The Philadelphia Authority for Industrial Development issued \$59,200,000 of Tax-Exempt Revenue Bonds (Girard Estate Project) Series of 2014 Revenue Refunding Bonds (the 2014 Bonds) with a bank being the sole holder. The proceeds were used to refinance and redeem the Series of 2001 and Series of 2002 Bonds. The loan agreement is a general obligation of the Estate payable from the unrestricted revenues of the Estate.

The bank, in its sole discretion, has the option within 90 days prior to and 90 days after the 10 year anniversary following the bond issuance date to declare the entire principal balance and accrued and unpaid interest of the 2014 Bonds payable in full. If exercised, payment on this call option would be due within 90 days of such written notification from the bank.

In connection with the issuance of the 2014 Bonds, the Estate entered into an interest swap contract in order to convert the variable interest rate for the 2014 Bonds to a synthetic fixed rate plus the applicable credit spread. The swap contract has a notional amount of \$59,200,000 with a final maturity of June 1, 2032. The fair value of the rate swap at June 30, 2016 and 2015 was \$32,185,000 and \$25,302,000, respectively.

(c) *Debt Covenants*

The Estate has covenanted that it will not lease, sell or otherwise dispose of all or a part of the project facilities of the facilities leasing projects to a person other than a governmental unit. In the event that the Commonwealth or any other lessee of all or a portion of the 2014 project facilities assigns its rights as lessee to an assignee that is not a governmental unit, the Estate is required to take remedial action (if any) in order to maintain the exclusion of interest on the 2014 Bonds from gross income for federal income tax purposes.

The debt covenants under the bond purchase and loan agreement require that the Estate maintain a ratio of market value of unrestricted cash and investments to funded debt equal to or greater than 1.50 as those terms are defined in the agreement. Also, the Estate may not issue or incur any additional general obligation indebtedness without the prior written consent of the swap counterparty, which consent will not be unreasonably withheld.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

Under the Collateral Pledge and Security Agreement to the 2014 swap master agreement, the Estate is required to pledge as collateral certain marketable securities with an adjusted (as defined) market value equal to the monthly net fair value loss of the Estate’s rate swap. Such collateral is held in the CLIF and presented as assets held under indenture agreements in the statements of net assets – FASB basis. In addition, the counterparty has a priority secured position, in the event of default, against the Estate’s marketable securities.

The Estate was in compliance with the Bond covenant, letter of credit agreement, swap agreement, line of credit agreement and mortgage note as of June 30, 2016 and 2015.

Long-term debt consists of the following at June 30, 2016 and 2015:

	2016	2015
	(In thousands)	
2014 Bonds, interest paid monthly, variable rate swapped to a fixed rate of 4.9035%, no principal payments until \$23,200,000 in 2031 and \$36,000,000 in 2032. The loan agreement is a general obligation of the Estate.	\$ 59,200	59,200
Mortgage payable, 3.95% fixed rate note, 10-year term to June 2022, 25-year amortization.	17,966	18,505
	\$ 77,166	77,705

Maturities of the long-term debt outstanding are as follows (in thousands):

Year ended June 30:	
2017	\$ 561
2018	583
2019	607
2020	631
2021	656
Thereafter	74,128
	\$ 77,166

(8) Interest Rate Swap

The following is a summary of the Estate’s interest rate swap agreement (in thousands):

Series	Effective date	Notional amount	Estate pays	Estate receives	Expiration date
2014 Bonds	12/01/2014	\$ 59,200	4.9035% plus 69% of 30-day LIBOR	69% of 30-day LIBOR	6/1/2032

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

The fair value of the interest rates swap is recorded in the financial statements as follows (in thousands):

	<u>Balance sheet location</u>	<u>Location of gain (loss)</u>	<u>Fair value 2016</u>	<u>Fair value 2015</u>	<u>(Loss) 2016</u>	<u>(Loss) 2015</u>
Interest rate swap agreement	Interest rate swap liability	Unrealized loss on interest rate swaps	\$ 32,185	25,302	(6,883)	(3,677)

The following table presents the fair value hierarchy classification of the Estate’s swap obligations as of June 30, 2016 with a comparative total for 2015 (in thousands):

	<u>Fair value 2016</u>	<u>Fair value measurements at June 30, 2016 using</u>			<u>Fair value 2015</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial liabilities:					
Interest rate swap obligation	\$ 32,185	—	—	32,185	25,302

(9) Real Estate Leases

Tenant leases have various expiration dates ranging through fiscal year 2025. Minimum rentals on non-cancellable operating leases at June 30, 2016, which represent future income to the Estate, are as follows (in thousands):

2017	\$ 16,489
2018	14,927
2019	6,205
2020	3,075
2021	1,986
Thereafter	<u>74,730</u>
	<u>\$ 117,412</u>

In September 2016, the largest tenant in the Estate’s 1101 Market Street office building in Philadelphia announced it would be relocating when its lease expires in September 2018. The tenant occupies approximately 367,000 square feet of office space representing 59% of the combined retail and office components of the building. Anticipating the announcement, in July 2016 the Estate retained the services of an international commercial real estate brokerage firm to assist it in the repositioning strategy and lease-up of the building in advance of the anticipated fiscal 2019 vacancy.

In 2007, the Estate entered into a long-term ground lease with a lessee, in the form of two leases, for the land and existing buildings located in the City of Philadelphia, between Market and Chestnut Streets and between 11th and 12th Streets and received an up-front payment of \$90,000,000. In addition, the Estate will receive basic net rent, for each lease, of \$1 per year.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

The leases are triple net leases with all income, expenses, taxes and liabilities transferring to the lessee for a term of 75 years. At the lessee's option, the lease term can be extended for an additional term of 75 years for the then current market rate to be determined by binding arbitration in either the 50th, 60th or 74th year of the lease. Title to the property remains with the Estate and, as a result, the lease is accounted for as an operating lease. The \$90,000,000 up-front payment at June 30, 2007 was recorded as unearned rental income and is included in advance rents and other liabilities in the statements of net assets – FASB basis. The unamortized balances at June 30, 2016 and 2015 were \$79,137,000 and \$80,337,000, respectively. The lessee has been granted the right to perform property improvements up to and including the demolishing of current structures and the development of new properties. Title to new properties and improvements passes to the Estate at the end of the lease term. The leases do not contain bargain purchase options. In July 2008, the leases were assigned by the lessee, with the Estate's consent, to a third party. In September 2014, the ground lease covering the land and existing buildings fronting on Market, 11th and Chestnut Streets was divided into three separate ground leases, each of which was then assigned, with the Estate's consent, to an affiliate of the then-existing ground lessee.

(10) Tax Status

The City of Philadelphia, Trustee Under the Will of Stephen Girard, Deceased, Acting by the Board of Directors of City Trusts, statutory agent for the City of Philadelphia, has been determined to be an agency of the Commonwealth of Pennsylvania and, as such, is exempt from federal income taxes.

U.S. generally accepted accounting principles require management to evaluate income tax positions taken by the Estate and recognize a tax liability (or asset) if the Estate has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Estate and has concluded that, as of June 30, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Estate is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

(11) Commitments and Contingencies

The Estate is party to various claims and legal proceedings which arise in the normal course of business. Management, after consultation with legal counsel, does not believe that the resolution of these matters will have a material adverse effect on the Estate's financial condition or results of operations.

(12) Related-Party Transactions

The Estate has a written conflict of interest policy that requires, among other things, that no member of the Board can participate in any decision in which he or she (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable and for the benefit of the Estate, and are in accordance with applicable conflict of interest laws.

THE ESTATE OF STEPHEN GIRARD, DECEASED

Notes to Financial Statements – FASB Basis

June 30, 2016 and 2015

(13) Subsequent Events

In connection with the preparation of the financial statements, the Estate evaluated subsequent events after the balance sheet date of June 30, 2016 through October 25, 2016, which was the date the financial statements were issued.



**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Consolidated Financial Statements – FASB Basis and
Supplemental Schedules – FASB Basis

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Table of Contents

	Page
Independent Auditors' Report	II-1
Consolidated Balance Sheets – FASB Basis, June 30, 2016 and 2015	II-3
Consolidated Statements of Operations – FASB Basis, Years ended June 30, 2016 and 2015	II-4
Consolidated Statements of Changes in Net Assets – FASB Basis, Years ended June 30, 2016 and 2015	II-5
Consolidated Statements of Cash Flows – FASB Basis, Years ended June 30, 2016 and 2015	II-6
Notes to Consolidated Financial Statements – FASB Basis	II-7
Supplemental Schedules	
Schedule 1: Consolidating Balance Sheet Information – FASB Basis, June 30, 2016	II-39
Schedule 2: Consolidating Statement of Operations and Changes in Net Assets Information – FASB Basis, Year ended June 30, 2016	II-43



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Directors of City Trusts:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Wills Eye Hospital and Subsidiaries, which comprise the consolidated balance sheets – FASB basis as of June 30, 2016 and 2015, and the related consolidated statements of operations – FASB basis, changes in net assets – FASB basis, and cash flows – FASB basis for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes 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 consolidated 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, such consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position – FASB basis of Wills Eye Hospital and Subsidiaries as of June 30, 2016 and 2015, and the results of their consolidated operations – FASB basis, changes in their consolidated net assets – FASB basis, and their consolidated cash flows – FASB basis for the years then ended, in conformity with the basis of accounting described in note 2(a) to the consolidated financial statements.



Basis of Accounting

As described in note 2(a) to the consolidated financial statements, these consolidated financial statements were prepared in accordance with the standards promulgated by the Financial Accounting Standards Board (FASB), which collectively represent a comprehensive basis of accounting other than generally accepted accounting principles for governmental entities, which are promulgated by the Governmental Accounting Standards Board.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects to the consolidated financial statements taken as a whole.

KPMG LLP

November 21, 2016

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Consolidated Balance Sheets – FASB Basis

June 30, 2016 and 2015

(In thousands)

Assets	2016	2015
Current assets:		
Cash and cash equivalents	\$ 2,745	3,489
Investments	21,452	29,465
Patient accounts receivable, net of allowance for doubtful accounts of \$1,199 and \$1,135, respectively	6,755	8,804
Inventory	1,504	1,444
Other current assets	7,387	2,977
Total current assets	39,843	46,179
Assets whose use is limited or restricted:		
By board for research	4,146	4,146
By board for other	1,078	1,111
Donor-restricted	31,141	32,491
Held under debt agreements	24,643	23,676
Total assets whose use is limited or restricted	61,008	61,424
Investments in joint ventures	3,316	3,240
Property and equipment, net	33,755	33,147
Other assets	623	677
Total	\$ 138,545	144,667
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	\$ 1,247	1,850
Financing obligation	440	414
Accounts payable	10,792	9,712
Accrued salaries and other expenses	4,254	3,831
Other liabilities	1,024	779
Total current liabilities	17,757	16,586
Long-term debt, net of current portion	23,444	22,543
Financing obligation	6,318	6,758
Pension benefit obligation	24,397	15,647
Interest rate swap liability	9,136	7,488
Other liabilities	111	115
Total liabilities	81,163	69,137
Net assets:		
Unrestricted – undesignated	19,795	35,809
Unrestricted – board-designated	5,224	5,257
Unrestricted – noncontrolling interest	825	840
Unrestricted	25,844	41,906
Temporarily restricted	11,455	14,985
Permanently restricted	20,083	18,639
Total net assets	57,382	75,530
Total liabilities and net assets	\$ 138,545	144,667

See accompanying notes to consolidated financial statements – FASB basis.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Consolidated Statements of Operations – FASB Basis

Years ended June 30, 2016 and 2015

(In thousands)

	<u>2016</u>	<u>2015</u>
Unrestricted revenues:		
Patient service revenue (net of contractual allowances and discounts)	\$ 53,466	52,800
Provision for bad debts	(992)	(1,251)
Net patient service revenue less provision for bad debts	<u>52,474</u>	<u>51,549</u>
Other revenue	7,343	7,273
Net assets released from restrictions	<u>2,498</u>	<u>5,953</u>
Total revenues	<u>62,315</u>	<u>64,775</u>
Expenses:		
Salaries and benefits other than pensions	28,978	27,009
Pension costs	514	584
Supplies and other expenses	32,758	32,396
Insurance	1,482	1,432
Professional – legal and consulting	1,342	1,705
Professional – medical	2,346	2,458
Depreciation and amortization	3,255	3,395
Interest	<u>1,672</u>	<u>1,664</u>
Total expenses	<u>72,347</u>	<u>70,643</u>
Operating loss	<u>(10,032)</u>	<u>(5,868)</u>
Other income:		
Net realized and unrealized (losses) gains on investments	(1,233)	1,352
Interest rate swaps valuation adjustment	(1,648)	(287)
Investment income, net	1,384	2,050
Contributions	<u>5,082</u>	<u>1,214</u>
Total other income	<u>3,585</u>	<u>4,329</u>
Shortfall of revenues over expenses	<u>\$ (6,447)</u>	<u>(1,539)</u>

See accompanying notes to consolidated financial statements – FASB basis.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Consolidated Statements of Changes in Net Assets – FASB Basis

Years ended June 30, 2016 and 2015

(In thousands)

	2016	2015
Unrestricted net assets:		
Shortfall of revenues over expenses	\$ (6,447)	(1,539)
Net assets released from restrictions used for purchases of property and equipment	458	338
Donated equipment	—	96
Adjustment to pension benefit obligation	(9,719)	(611)
Sales of noncontrolling interest in consolidated subsidiary	78	133
Distribution to noncontrolling interests in consolidated subsidiary	(432)	(422)
Decrease in unrestricted net assets	(16,062)	(2,005)
Temporarily restricted net assets:		
Contributions	1,560	2,573
Interest and dividend income	317	503
Net realized and unrealized losses on investments	(1,364)	(16)
Transfer to endowment	(1,087)	—
Net assets released from restrictions	(2,956)	(6,291)
Decrease in temporarily restricted net assets	(3,530)	(3,231)
Permanently restricted net assets:		
Contributions	305	327
Transfer from temporary restriction	1,087	—
Increase (decrease) in cash value life insurance policy	52	(3)
Increase in permanently restricted net assets	1,444	324
Decrease in net assets	(18,148)	(4,912)
Net assets, beginning of year	75,530	80,442
Net assets, end of year	\$ 57,382	75,530

See accompanying notes to consolidated financial statements – FASB basis.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows – FASB Basis

Years ended June 30, 2016 and 2015

(In thousands)

	2016	2015
Cash flows from operating activities:		
Decrease in net assets	\$ (18,148)	(4,912)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments	2,597	(1,336)
Equity in earnings of joint ventures	(536)	(644)
Change in fair value of swap contracts	1,648	287
Adjustment to pension benefit obligation	9,719	611
Provision for bad debts	992	1,251
Donated equipment	—	(96)
Depreciation and amortization	3,255	3,395
Distribution/purchases of noncontrolling interests holders	354	289
Amortization of deferred financing costs	26	26
Restricted contributions	(2,655)	(3,384)
Loss on asset sales	54	264
Changes in operating assets and liabilities:		
Patient accounts receivable, net	1,057	(1,502)
Inventory	(60)	(268)
Other assets	(4,382)	443
Accounts payable	1,080	1,750
Accrued salaries and other expenses	423	403
Other liabilities	241	(257)
Pension benefit obligation	(969)	(985)
Net cash used in operating activities	(5,304)	(4,665)
Cash flows from investing activities:		
Purchases of property and equipment	(3,917)	(3,275)
Distribution from investments in joint ventures	460	592
Proceeds from sale of investments, net	5,832	3,644
Net cash provided by investing activities	2,375	961
Cash flows from financing activities:		
Proceeds from restricted contributions	2,655	3,384
Distributions/purchases of noncontrolling interest holders	(354)	(289)
Proceeds from issuance of long-term debt	1,702	1,873
Payments on financing obligation	(414)	(391)
Payments on short- and long-term debt	(1,404)	(1,746)
Net cash provided by financing activities	2,185	2,831
Net decrease in cash and cash equivalents	(744)	(873)
Cash and cash equivalents, beginning of year	3,489	4,362
Cash and cash equivalents, end of year	\$ 2,745	3,489
Supplemental cash flow information:		
Cash paid for interest	\$ 1,673	1,671

See accompanying notes to consolidated financial statements – FASB basis.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

(1) Organization and Nature of Operations

Wills Eye Hospital (the Hospital), established in 1832 through a bequest of James Wills, a Quaker merchant, to the City of Philadelphia, is administered by the Board of Directors of City Trusts (the Board). The Hospital, located in Philadelphia, is a trust that owns and operates various facilities that provide medical services to area residents. Certain of these services are provided through affiliated organizations controlled by the Hospital. The Hospital's subsidiaries corporations include:

- Wills Eye Foundation, Inc. (the Foundation), a domestic nonprofit corporation, established to solicit, collect, and administer charitable donations made in order to further the institutional objectives of the Trust under the Will of James Wills, as determined from time to time by the Board
- Ambulatory Surgery Centers (the Centers), established to provide high-quality, cost-effective, outpatient surgical services at locations more accessible to its patients
- AASOP, Inc. (AASOP), a wholly owned subsidiary of the Hospital, established to own and operate physician practices
- Premium Eye Surgeons, Inc. (Premium Eye Surgeons), established to own and manage a physician practice acquired by AASOP
- Wills Eye Surgical Network, L.L.C. (the Management Company), established to provide certain management services to the Centers. The Management Company is 99% owned by one of the Hospital's controlled corporations and 1% by the Hospital
- Wills Eye Community Surgical Services Corp., (Services Corp.) and Wills Community Surgical Services of Cottman – Buxmont, Inc. (Services of Cottman – Buxmont), established to be the majority owner of the Centers
- Wills Eye Ophthalmology Clinic Inc. (WEOC), a wholly owned subsidiary of the Hospital, established to provide outpatient clinical services
- WEOC ER, Inc. (WEOC ER), established to begin performing the Emergency Room Services, which were previously performed under WEOC
- Abbot, Inc. (Abbot), a wholly owned subsidiary of the Hospital, established to own and operate real estate for leasing purposes
- The Hospital and its subsidiaries are collectively known as the Organization.

Ambulatory Surgery Centers

The Hospital has developed a network of Ambulatory Surgery Centers in the Delaware Valley area to provide outpatient surgery. The Network was established through acquisitions of existing centers and development of new centers. The Centers provide both single specialty (ophthalmology) and multispecialty services.

The Centers include Cherry Hill Ambulatory Surgical Center, LLC (Cherry Hill), Cottman Ambulatory Surgical Center, LLC (Cottman), Warminster Ambulatory Surgical Center, LLC (Warminster), Plymouth

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

Meeting Ambulatory Surgical Center, LLC (Plymouth Meeting), and Stadium Campus Ambulatory Surgical Center, LLC (Stadium). At June 30, 2016, Plymouth Meeting is 55% owned by the Hospital and 45% owned by physicians; Cherry Hill is 50.5% owned by the Hospital and 49.5% owned by physicians; Stadium is 57.5% owned by the Hospital and 42.5% owned by physicians; Cottman is 60% owned by the Hospital and 40% owned by physicians. In March 2015, the Warminster surgery center sold shares to qualifying physicians. At June 30, 2016, Warminster is 75% owned by the Hospital and 25% owned by physicians.

The Hospital sold additional shares to physicians in fiscal year 2016 at the Plymouth Meeting Ambulatory Surgical Center and the Warminster Ambulatory Surgical Center.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Hospital, the Centers, the Management Company, the Foundation, Services Corp., Services of Cottman – Buxmont, Abbot, AASOP, WEOC, Premium Eye Surgeons, and WEOC ER (collectively referred to herein as the Organization). Premium Eye Surgeons and WEOC ER have been closed as of June 30, 2016. All significant intercompany transactions have been eliminated.

As described in note 1, the Board administers the Organization. The Board is an instrumentality of the Commonwealth of Pennsylvania, and as such, the Organization is subject to the accounting standards promulgated by the Governmental Accounting Standards Board (GASB). However, to prepare the consolidated financial statements and notes thereto, the Organization has chosen to follow accounting standards promulgated by the Financial Accounting Standards Board (FASB) applicable to healthcare organizations to reflect a presentation that is consistent with historical practices and that of similar entities.

If the Organization's consolidated financial statements were prepared in accordance with GASB standards rather than FASB standards, the following significant differences would exist:

- Management's discussion and analysis would be required supplementary information.
- The Organization's recorded obligations for retirement plans would be accounted for similar to pension obligations under FASB, standards, with differences in the rate used to discount future pension benefits to their present value and the method used to attribute pension liabilities to specific periods. Additionally, information on funding progress for the plan would be required supplementary information.
- Losses and gains related to debt defeasance would be deferred and amortized over the life of the new debt rather than recorded as a gain or loss at the time of defeasance.
- The cash flow statement would be presented using the direct method.
- Net assets would be categorized as unrestricted, restricted, or invested in capital assets net of related debt.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

- Additional disclosures would be provided regarding:
 - Interest rate risk, credit risk, custodial credit risk, and concentrations of credit risk related to the Organization’s investments and the Organization’s policies for managing such risks
 - A description of the risks of loss to which the entity is exposed and the ways in which the risks of loss are managed
 - Pledged revenue under the Organization’s debt agreements
 - Additions to and deductions from the Organization’s capital assets and long-term debt, and maturities of interest payments on long-term debt
 - Segments, which are defined as an identifiable activity or group of activities that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of the debt and that is required by an external party to account separately for its assets, liabilities, revenue, and expenses
 - Information about the classification of the Organization’s assets and liabilities measured at fair value on a recurring basis in a hierarchy based on the nature of the inputs to fair value would not be provided

(b) *Use of Estimates*

The preparation of consolidated financial statements in conformity with the basis of presentation described in note 2(a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) *Cash and Cash Equivalents*

The Organization considers all certificates of deposit and commercial paper with an original maturity of three months or less from the date of purchase to be cash equivalents, excluding amounts whose use is limited by board designation or other arrangements under trust or debt agreements.

(d) *Patient Accounts Receivable*

The Organization provides care to patients under various reimbursement arrangements, including Medicare, Medicaid, and various managed care payors. These arrangements provide for payment for covered services at agreed-upon rates based on applicable fee schedules and discounts from charges. Provisions have been made for estimated contractual adjustments under these arrangements, representing the difference between the customary charges for services rendered and the related expected reimbursement. Revenues received from third-party payors are subject to audit and retroactive adjustments. Such adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Laws and

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change.

The Organization establishes an allowance for doubtful accounts to report the estimated net realizable amounts to be received from patients or others. Increases to this reserve are reflected as a provision for bad debts in the consolidated statements of operations. The Organization regularly performs an analysis of the collectibility of patient accounts receivable and considers such factors as prior collection experience and the age of the receivables.

(e) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by using the first-in, first-out method of accounting.

(f) Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided over the useful lives of the assets on a straight-line basis.

(g) Long-Lived Assets

The Organization continually evaluates whether circumstances have occurred that indicate the remaining useful life of long-lived assets might warrant revision or that the remaining balance of such assets may not be recoverable. Management has reviewed the carrying amount of these assets and has determined that they are not impaired.

(h) Investments and Investment Risks

At June 30, 2016 and 2015, the Organization's investments were primarily invested in the Collective Legal Investment Fund (the CLIF), which is a pooled investment fund of the assets of all the trusts administered by the Board. Such investments are stated at net asset value. The net asset value is determined by the fair value of the underlying securities. Units of the CLIF are normally purchased and sold based on the available cash and cash requirements of the Organization. Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the consolidated balance sheets. Investment income (including realized gains and losses on investments, interest, and dividends) is included in the excess or deficiency of revenue over expenses unless the income or losses are restricted by donor or law. The Organization's investments are considered a trading portfolio. Accordingly, realized and unrealized gains and losses are included in other income in the accompanying consolidated statements of operations.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying consolidated balance sheets, consolidated statements of operations, and consolidated statements of changes in net assets.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

(i) ***Fair Value***

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate-debt securities, and alternative investments that can be liquidated at net asset value at or near the consolidated balance sheet date.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include 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. This category generally includes illiquid alternative investments such as private equity funds.

The Organization measures its investments and interest rate swaps related to its debt at fair value. Additionally, the Organization discloses the fair value of the Organization's outstanding debt. The Organization's valuation methodology for each of these items is described below. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement.

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

Cash and Cash Equivalents – The carrying amount reported in the consolidated balance sheets for cash and cash equivalents approximates its fair value.

Accounts Payable and Accrued Expenses – The carrying amount reported in the consolidated balance sheets for accounts payable and accrued expenses approximates its fair value due to the short period to maturity.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

Investments

Collective Legal Investment Fund

At June 30, 2016 and 2015, the Organization's investments were primarily invested in the CLIF, which is a pooled investment fund of the assets of all the trusts administered by the Board. Such investments are stated at net asset value, which approximates fair value (note 5). Within the CLIF, the Organization owns shares that invest in the following types of securities:

Equity Securities

Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, they are categorized in Level 1 of the fair value hierarchy.

Debt Securities

U.S. government securities are generally valued at the closing price reported in the active market in which the individual security is traded.

Listed asset-backed securities are valued based on quoted market prices from the active market in which the instrument is principally traded and are categorized in Level 1 of the fair value hierarchy. If such quoted prices are not available, the fair value of the security is estimated based on models considering the estimated cash flows and expected yield. Such investments are categorized as Level 2 or Level 3 based on the extent inputs are observable and timely.

Other debt securities are valued at the closing price reported in the active market in which the security is traded, if available. If such information is not available, debt is valued based on yields currently available on comparable securities for issuers with similar credit ratings.

Private Equity Funds

Net asset values provided by limited partnership investees are based on estimates, appraisals, assumptions, and methods that are reviewed by CLIF management. The CLIF estimates the fair value of its limited partnership investments using the net asset value per share as reported by the investee as a practical expedient. Net asset value may differ from fair value as otherwise calculated.

Debt and Related Interest Rate Swaps

The fair value of the Organization's interest rate swaps related to its debt obligations as further discussed in note 7 is based on a discounted cash flow model with Level 2 inputs including the value of the relevant market index upon which the swap is based.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

The fair value of the Organization’s variable rate long-term debt approximates its carrying value because these financial instruments bear interest rates that approximate current market rates for loans with similar maturities and credit quality.

(j) *Deferred Financing Costs*

Deferred financing costs, which are included in other assets, represent legal fees and bond issuance costs associated with the Variable Rate Revenue Bonds, Series 2012 (Series 2012 Bonds). At June 30, 2016 and 2015, such costs amounted to \$71 and \$96, net of accumulated amortization of \$109 and \$83, respectively.

(k) *Investments in Joint Ventures*

Investments in joint ventures represent the Organization’s investment in certain ambulatory surgical centers for which the Organization has less than a controlling interest. The Organization accounts for these investments using the equity method.

(l) *Donor-Restricted*

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Gifts are reported as either temporarily or permanently restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Conditional contributions received are not recognized until such time that the conditions are met. The Organization records as unrestricted net assets those gifts for which purpose restrictions are met in the same year as receipt.

During fiscal year 2016, The Organization received notification from certain donors for their desire to have previous and future donations restricted in perpetuity. The Organizations transferred the donations of \$1,087 from temporary restricted net assets to permanently restricted net assets during the year ended June 30, 2016.

(m) *Patient Service Revenue*

Patient service revenue represents the estimated net realizable amounts due from patients and third-party payors for medical services rendered. The Organization provides care to patients under various reimbursement arrangements, including Medicare, Medicaid, and various managed care payors. These arrangements provide for payment for covered services at agreed-upon rates based on applicable fee schedules and discounts from charges. Provisions have been made for estimated contractual adjustments under these arrangements, representing the difference between the customary charges for services rendered and the related expected reimbursement. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

The following table reflects the estimated percentages of patient service revenue, net of the provision for bad debts, for the years ended June 30:

	2016	2015
Medicare	46%	42%
Medicaid	5	6
Managed care	34	35
Other third-party payors	13	15
Self-pay	2	2
	100%	100%

(n) Interest

Interest incurred in connection with financing related to construction, net of income earned on the unexpended proceeds, is capitalized during the construction period and subsequently amortized into expense over the useful life of the related property. Other interest is charged to expense as incurred.

(o) Federal and State Income Taxes

The Hospital, the Foundation, WEOC, WEOC ER, and Services Corp. are tax-exempt organizations and are not subject to federal or state income taxes, in accordance with Section 501(c)(3) of the Internal Revenue Code (the Code), except on unrelated business income, as defined by the Code. The Centers and the Management Company are incorporated as limited liability companies. Accordingly, no federal income taxes are payable and none have been provided for in the accompanying consolidated financial statements. The Centers' members are required to include their respective share of the Centers' profits or losses in their individual tax returns. AASOP and Premium Eye Surgeons are nonprofit taxable corporations and pay federal, state, and local income taxes. The Organization does not believe it has any uncertain tax positions for which accrual of a liability would be required under generally accepted accounting principles.

(p) Excess of Revenues over Expenses

The accompanying consolidated statements of operations include a caption entitled excess of revenues over expenses. Changes in unrestricted net assets that are excluded from this caption, consistent with industry practice, include changes in the funded status of the Organization's defined-benefit pension plans and contributions received for additions of long-lived assets.

(q) New Accounting Pronouncements

FASB Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, was effective for December 31, 2015. ASU No. 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as practical expedient. The presentation in note 5 reflects the implementation of the provisions of ASU No. 2015-07.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of consolidated financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Particularly, that an entity recognizes revenue to depict the transfer of services to customers in amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. ASU 2014-09 is effective for fiscal year 2019. The Organization expects to record a decrease in net patient service revenue and a corresponding decrease in bad debt expense upon adoption of the standard.

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires management to assess a company's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. Under the new standard, disclosures are required when conditions give rise to substantial doubt about a company's ability to continue as a going concern within one year from the financial statement issuance date. The new standard applies to all companies and is effective for the annual period ending after December 15, 2016.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which decreases the net asset classifications from three to two. The remaining classes are net assets with restrictions and net assets without restrictions. It requires further disclosure related to underwater endowments, liquidity of the organization, functional expenses, and changes in cash flow statements. The new standard applies to all companies and is effective for the annual period ending after December 15, 2017.

(r) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(3) Charity Care

The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

The Organization maintains records to identify the level of charity care it provides. The amount of costs foregone for services, supplies, and wages furnished under its charity care policy totaled \$1,460 and \$2,192 in 2016 and 2015, respectively. These amounts do not include losses incurred in treating patients of certain governmental payors that reimburse the Organization at rates less than cost.

(4) Concentrations of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The Organization recognizes patient service revenue provided to patients with third-party coverage on the basis of contractual rates for the services rendered. For self-pay patients who do not qualify for charity, the Organization recognizes revenue at the standard rates for services. A certain percentage of

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

insured patients will be unable or unwilling to pay their co-pay and or deductible and these amounts can ultimately be reclassified to the self-pay category and an allowance taken. Also, uninsured patient balances that do not qualify for charity care may require a provision for bad debts to ensure that patient accounts receivable balances are recorded at net realizable value. The analysis to determine the sufficiency of the allowance for doubtful accounts is based upon hindsight analysis using collection history, among other things.

The mix of net receivables from patients and third-party payors at June 30, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Medicare	33%	30%
Medicaid	10	7
Managed care	39	40
Other third-party payors	12	20
Self-pay	6	3
	<u>100%</u>	<u>100%</u>

The following table sets forth the components of the change in the allowance for doubtful accounts for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 1,135	628
Provision for bad debts	992	1,251
Write-offs, net of recoveries	<u>(928)</u>	<u>(744)</u>
Balance at end of year	<u>\$ 1,199</u>	<u>1,135</u>

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

(5) Investments and Assets Whose Use is Limited or Restricted

The Organization's investments at June 30, 2016 and 2015 include the following:

	2016	2015
Held in the CLIF:		
Investments (current assets)	\$ 21,452	29,465
Assets whose use is limited or restricted:		
Donor-restricted	6,364	6,365
Donor-restricted endowments	23,483	23,694
Board-designated funds	5,224	5,257
Held under debt agreements	20,652	19,003
	77,175	83,784
Investments held outside the CLIF for donor-restricted endowments and temporarily restricted funds	1,294	2,432
Held under debt agreements	3,991	4,673
Total investments	\$ 82,460	90,889

(a) Investments Held in the CLIF

The Organization's undivided interest in the CLIF represents approximately 16.3% and 17.3% of the total value, or \$77,175 and \$83,784 at June 30, 2016 and 2015, respectively.

The Organization's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the years ended June 30, 2016 or 2015.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

The CLIF’s investments at June 30, 2016 and 2015, stated at fair value, are as follows:

	<u>2016</u>	<u>2015</u>
Short-term investments	\$ 18,475	12,230
Equities:		
U.S. common stocks	205,405	228,438
Exchange-traded funds	46,990	55,082
International mutual funds	29,154	30,530
Bonds and notes payable:		
U.S. government and agency obligations	31,003	30,873
Corporate and other bonds	86,924	84,165
Asset-backed securities	2,839	3,844
Mutual funds	20,419	—
Global tactical asset allocation mutual funds	24,037	29,376
Private equity	8,259	10,618
	<u>\$ 473,505</u>	<u>485,156</u>

The CLIF participates in a securities lending program as a means to generate incremental income. Through this program, the CLIF, through its lending agent, may lend its securities to qualified borrower, that meet certain guidelines as established by the Board. All borrowings are initially secured by collateral in an amount equal to at least 102% of the fair value of the securities loaned and are marked to market daily. Each business day, the amount of collateral is adjusted based on prior day’s closing fair value. The collateral is invested in cash and cash equivalents. Income from lending activity is determined by the amount of interest earned on the invested collateral, a portion of which is allocated to the lending agent. The CLIF also is entitled to receive interest and dividends from securities on loan.

As of June 30, 2016 and 2015, the CLIF had loaned out certain securities, returnable on demand, with a market value of \$214,144 and \$41,976, respectively, to several financial institutions that have deposited collateral with respect to such securities of \$219,802 and \$43,033, respectively.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

The following table presents the CLIF’s fair value hierarchy for assets held in the CLIF measured at fair value on a recurring basis as of June 30, 2016 (in thousands):

	2016 Fair value	Fair value measurements at June 30, 2016 using		
		Level 1	Level 2	Level 3
Short-term investments	\$ 18,475	18,475	—	—
Marketable equity securities:				
U.S. common stocks:				
Industrials	25,940	25,940	—	—
Consumer discretionary	32,297	32,297	—	—
Consumer staples	18,149	18,149	—	—
Energy	11,448	11,448	—	—
Financial	33,057	33,057	—	—
Materials	7,774	7,774	—	—
Information technology	35,489	35,489	—	—
Utilities	4,109	4,109	—	—
Healthcare	28,454	28,454	—	—
Telecommunications and other	8,688	8,688	—	—
Total U.S. common stocks	205,405	205,405	—	—
Exchange-traded funds:				
S&P 500 Index SPDR	25,535	25,535	—	—
Select Sector SPDRs	21,455	21,455	—	—
Total exchange-traded funds	46,990	46,990	—	—
International equity mutual funds	29,154	29,154	—	—
Total marketable equity securities	281,549	281,549	—	—

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

	2016 Fair value	Fair value measurements at June 30, 2016 using		
		Level 1	Level 2	Level 3
Fixed income:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	\$ 29,773	29,610	163	—
Debt securities issued by states of the United States and political subdivisions of the states	1,164	—	1,164	—
Debt securities issued by foreign governments	66	—	66	—
Corporate debt securities	86,924	—	86,924	—
Asset-backed securities	1,189	—	1,189	—
Residential mortgage-backed securities	852	—	852	—
Commercial mortgage-backed securities	798	—	798	—
Mutual Funds	20,419	20,419	—	—
Total fixed income	141,185	50,029	91,156	—
Global tactical asset allocation mutual funds	24,037	24,037	—	—
Subtotal	465,246	\$ 374,090	91,156	—
Private equity funds reported at net asset value per share as a practical expedient	8,259			
Total investments in the CLIF	\$ 473,505			

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

The following table presents the CLIF’s fair value hierarchy for assets held in the CLIF measured at fair value on a recurring basis as of June 30, 2015 (in thousands):

	2015 Fair value	Fair value measurements at June 30, 2015 using		
		Level 1	Level 2	Level 3
Short-term investments	\$ 12,230	12,230	—	—
Marketable equity securities:				
U.S. common stocks:				
Industrials	26,702	26,702	—	—
Consumer discretionary	39,176	39,176	—	—
Consumer staples	10,138	10,138	—	—
Energy	12,913	12,913	—	—
Financial	41,338	41,338	—	—
Materials	7,891	7,891	—	—
Information technology	47,159	47,159	—	—
Utilities	2,157	2,157	—	—
Healthcare	34,155	34,155	—	—
Telecommunications and other	6,809	6,809	—	—
Total U.S. common stocks	228,438	228,438	—	—
Exchange-traded funds:				
S&P 500 Index SPDR	34,869	34,869	—	—
Select Sector SPDRs	20,213	20,213	—	—
Total exchange-traded funds	55,082	55,082	—	—
International equity mutual funds	30,530	30,530	—	—
Total marketable equity securities	314,050	314,050	—	—

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

	2015 Fair value	Fair value measurements at June 30, 2015 using		
		Level 1	Level 2	Level 3
Fixed income:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	\$ 29,152	26,665	2,487	—
Debt securities issued by states of the United States and political subdivisions of the states	1,159	—	1,159	—
Debt securities issued by foreign governments	562	—	562	—
Corporate debt securities	84,165	—	84,165	—
Asset-backed securities	2,019	—	2,019	—
Residential mortgage-backed securities	29	—	29	—
Commercial mortgage-backed securities	1,796	—	1,796	—
Total fixed income	118,882	26,665	92,217	—
Global tactical asset allocation mutual funds	29,376	29,376	—	—
Subtotal	474,538	\$ 382,321	92,217	—
Private equity funds reported at net asset value per share as a practical expedient	10,618			
Total investments in the CLIF	\$ 485,156			

At June 30, 2016 and 2015, \$9,132 and \$7,483, respectively, of investments held by the Organization in the CLIF are designated as collateral for the interest rate swap under the Series 2012 Bond Indenture. At June 30, 2016 and 2015, \$11,520 of investments held by the Organization in the CLIF are designated as collateral for the Series 2012 Bond Indenture.

(b) Investments Held Outside the CLIF

Certain temporarily restricted funds are maintained in separately invested accounts, which were invested in cash and cash equivalents at June 30, 2016 and 2015.

(c) Amounts Held by Trustee/Bank under Debt Agreements

At June 30, 2016 and 2015, cash held by a bank as collateral for the Cottman, Services Corp., and Warminster debt (note 7) was \$499 and \$1,182, respectively. Amounts held by trustee for the Series 2012 bonds, which are invested in commercial paper and money market funds and are valued using Level 1 inputs was \$3,492 at June 30, 2016 and 2015.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

The composition of the Organization’s net investment income for the years ended June 30, 2016 and 2015 is as follows:

	2016	2015
Investment income:		
Interest and dividends	\$ 1,700	2,553
Net realized gains on investments	2,600	1,862
Net unrealized losses on investments	(5,196)	(526)
Total investment income (loss)	\$ (896)	3,889
Recognized as:		
Consolidated statements of operations:		
Investment income, net	\$ 1,384	2,050
Net realized and unrealized gains on investments	(1,233)	1,352
Consolidated statements of changes in net assets:		
Interest and dividend income – temporarily restricted	317	503
Net realized and unrealized losses on investments – temporarily restricted	(1,364)	(16)
Total investment income (loss)	\$ (896)	3,889

(6) Property and Equipment

Property and equipment at June 30, 2016 and 2015 consist of the following:

	2016	2015
Land and improvements	\$ 2,905	2,905
Buildings and leasehold improvements	50,079	49,192
Equipment	28,428	25,662
Property and equipment, at cost	81,412	77,759
Accumulated depreciation	(47,657)	(44,612)
Property and equipment, net	\$ 33,755	33,147
Depreciation and amortization expense	\$ 3,255	3,395

The net book value of assets under capital leases included in equipment amounted to \$2,348 and \$1,283 at June 30, 2016 and 2015, respectively.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

(7) Debt

Long-term debt consists of the following at June 30, 2016 and 2015:

	2016	2015
Series 2012 Variable Rate Revenue Bonds issued by the Hospital, due 2030, accrues interest at a variable rate of 1.15% at June 20, 2016), payable in monthly interest only payments	\$ 15,000	15,000
Committed line of credit borrowed by Wills Eye Hospital with a security agreement due March 1, 2019, Accrues interest at a variable rate (2.16% at June 20, 2016), payable in monthly installments of principle plus interest	5,384	5,711
Commercial bank debt borrowed by Cherry Hill, paid September 2015	—	67
Commercial bank debt borrowed by Abbot, due in July 2018, accrues interest at a variable rate (2.44% at June 29, 2016), payable in monthly installments of principal plus interest; collateralized by certain building and land assets	290	314
Commercial bank debt borrowed by Warminster, due July 1 2022, accrues interest at a variable rate (2.15% at June 20, 2016), payable in monthly installments of principal plus interest; collateralized by restricted deposit	945	1,024
Commercial bank debt borrowed by Cottman, due January 2019, accrues interest at a variable rate (2.50% at June 20, 2016), payable in monthly installments of principal plus interest; collateralized by restricted deposit	191	261
Commercial bank debt borrowed by Services Corp., due February, 2019 accrues interest at a variable rate (2.44% at June 27, 2016), payable in monthly installments of principal plus interest	533	733
Finance agreements, various, payments due monthly based in part on supply purchases	2,348	1,283
	24,691	24,393
Less current portion	(1,247)	(1,850)
Total long-term debt	\$ 23,444	22,543

On February 28, 2013, the Hospital negotiated a committed line of credit from the Trustee of the Series 2012 bond issue for \$6,200. The purpose of this line of credit was to convert the seventh floor of the Organization's current location to a four-bed inpatient hospital. In January 2014, with construction complete, the loan converted to principal and interest payments.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

On March 1, 2012, the Hospitals and Higher Education Facilities Authority of Philadelphia (the Authority) loaned to the Hospital the proceeds resulting from the issuance of its Variable Rate Revenue Bonds, Series 2012, the aggregate principal amount of \$15,000 (Series 2012 Bonds). The single bondholder is the Trustee. At this time, the swap corresponding to the Series 2000 bonds was novated to the Trustee. As part of the Series 2012 bond issuance a Collateral Pledge and Security Agreement among the Hospital and Center City ASC (now closed) granted rights to certain accounts held within the CLIF (note 5) and at the Trustee for the purposes of collateralizing the entire principal balance and the entire fair market value of the swap.

On October 2, 2013, the Hospital entered into a master lease purchase facility for the purpose of financing its equipment needs. In December 2015, the Hospital renewed the master lease for the second year. The facility lease term depends on the type of equipment, but can range from 36 to 120 months with rates from 2.50% to 3.95%. At June 30, 2016, \$1,444 in equipment is currently leased under this facility.

On February 12, 2015, the Hospital sold its shares in the Wilmington ambulatory surgery center and paid down the corresponding principle balance on the long-term note. All collateral associated with the debt was released to the Hospital.

On March 6, 2015, Warminster entered into a term note with the Trustee of \$1,050 in advance of the Hospital selling a percent of ownership in the Center to qualified physicians. Funds from this loan were distributed to the majority owner for its investment in the Center. Services of Cottman-Buxmont has collateral on deposit with the Trustee. In fiscal year 2015 and 2016, the Center sold to qualifying physicians a 25% ownership in the ambulatory surgery center. Additional shares are also available for future sale.

Annual principal payments on long-term debt are as follows as of June 30, 2016:

June 30:			
2017	\$	1,247	
2018		1,259	
2019		5,755	
2020		488	
2021		354	
Thereafter		15,588	
Total payments	\$	24,691	

Abbot, Cottman, Services Corp., and Warminster are subject to financial covenants under loans with a commercial bank. These covenants include the maintenance of minimum historical debt service coverage ratios and minimum days cash on hand amounts, as defined in the respective agreements. At June 30, 2016, the Organization was not in compliance with its debt service ratio covenant requirement for the Warminster obligation. The bank provided the Organization with a waiver for such noncompliance at June 30, 2016. As part of the waiver agreement, the covenant was amended. Management expects to be in compliance with such amended covenant through June 30, 2017.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

Based on borrowing rates currently available to the Organization for debt with similar terms and remaining maturities, the fair values of long-term debt are estimated to approximate their carrying values. The variable rate of the Series 2012 Bonds is a market rate based on 72% of the 30-day London Interbank Offered Rate (LIBOR) plus 83 basis points.

Interest Rate Swaps

The Hospital entered into an interest rate swap agreement to hedge against the risk of changes in interest rates associated with its variable rate Series 2012 Bonds on March 1, 2012. The fair value of this interest rate swap has been reported in other liabilities. This interest rate swap had a notional value of \$15,000 with a term expiring in November 2030 and carried a fixed rate of 5.74%. The fair value of the interest rate swap was \$(9,132) and \$(7,483) at June 30, 2016 and 2015, respectively. As this swap does not qualify for hedge accounting, the change in fair value is reported as other income (loss) in the consolidated statements of operations.

In addition, Services Corp. has entered into a certain interest rate swap agreement in order to synthetically convert certain variable rate debt into fixed-rate debt. As this swap does not qualify for hedge accounting, the Organization records the changes in fair value in the consolidated statements of operations. The fair value of these interest rate swaps has been reported in other liabilities. These interest rate swaps are as follows as of June 30, 2016:

Notional value	Effective date	Term	Fixed rate	Fair value at June 30, 2016 (in 000s)	Floating rate	Entity
\$ 15,000	03/01/12	Nov. 2030	5.74	9,132	72% of 30-day LIBOR+83bp	Wills Eye Hospital
533	04/06/16	Feb. 2019	3.09	4	30-day LIBOR+200bp	Services Corp.

The fair value of the above interest rate swaps total \$9,136.

In addition, Cherry Hill and Services Corp. have entered into certain interest rate swap agreements in order to synthetically convert certain variable rate debt into fixed-rate debt. As these swaps do not qualify for hedge accounting, the Organization records the changes in fair value in the consolidated statements of operations. The fair value of these interest rate swaps has been reported in other liabilities. These interest rate swaps are as follows as of June 30, 2015:

Notional value	Effective date	Term	Fixed rate	Fair value at June 30, 2015 (in 000s)	Floating rate	Entity
\$ 15000	03/01/12	Nov. 2030	5.74	7,483	72% of 30-day LIBOR+83bp	Wills Eye Hospital
733	2/25/09	Feb. 2016	5.21	5	30-day LIBOR+200bp	Services Corp.
67	9/30/10	Sept. 2015	2.60	—	30-day LIBOR+125bp	Cherry Hill

The fair value of the above interest rate swaps total \$7,488.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

(8) Leases and Lease Commitments

Financing Obligation

In July 2002, the Hospital entered into an agreement to lease finished space from a third party for the purpose of subleasing the space to individual physicians. The initial lease term is 25 years commencing July 1, 2002. The Hospital has the right and option of extending the term for two periods of five years each beyond the initial term.

Future minimum payments for the next five years and thereafter under the lease at June 30, 2016 are as follows (in thousands):

Year ending June 30:			
2017	\$	841	
2018		841	
2019		841	
2020		840	
2021		840	
Thereafter		5,114	
Total future minimum lease payments		9,317	
Less amount representing interest		(2,559)	
Financing obligation	\$	6,758	

Additionally, the Hospital has entered into various subleases of this space to physicians for terms of five years. These sublease agreements were further extended to various dates through September 2023.

Future minimum sublease payments at June 30, 2016 are as follows:

		<u>Sublease revenue</u>	
June 30:			
2017	\$	2,247	
2018		1,104	
2019		1,081	
2020		660	
2021		679	
Thereafter		1,420	

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

Operating Leases

The Hospital and Centers lease buildings and property through lease agreements expiring on various dates through December 2023. Certain of these leases contain options to extend the lease terms. Rental expense for the years ended June 30, 2016 and 2015 was \$1,731 and \$1,886, respectively. The Organization records lease expenses in the consolidated statements of operations, supplies, and expenses. The Centers are responsible for the payment of all real property taxes. Future minimum lease payments at June 30, 2016 are as follows:

June 30:		
2017	\$	1,597
2018		1,421
2019		1,265
2020		716
2021		543
Thereafter		1,166

(9) Retirement Plans

Pension Plan

The Hospital participates in a defined-benefit retirement plan (the Plan), administered by the Board, which covers nonunion Hospital employees hired prior to September 30, 2010. Effective October 1, 2010, new employees of the Hospital participate in a 403(b) plan as documented below. There were no required contributions to the Plan for the year ended June 30, 2016 or 2015. Although no contributions were required, the Hospital contributed \$1,200 to the Plan during the years ended June 30, 2016 and 2015. The Hospital anticipates contributing \$1,200 to the Plan in 2017. The Hospital uses a July 1 measurement date for the Plan.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

The following table sets forth the funded status of the Hospital’s Plan at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Change in benefit obligation:		
Projected benefit obligation at beginning of year	\$ 48,769	49,121
Service cost	446	479
Interest cost	1,951	1,918
Actuarial loss (gain)	6,947	(362)
Benefits paid	(2,515)	(2,387)
Projected benefit obligation at end of year	<u>\$ 55,598</u>	<u>48,769</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 33,122	33,100
Actual return on plan assets	(534)	1,270
Employer contribution	1,200	1,200
Benefits paid	(2,514)	(2,387)
Administrative expenses paid	(73)	(61)
Fair value of plan assets at end of year	<u>\$ 31,201</u>	<u>33,122</u>
Funded status and liability recognized (recorded as other noncurrent liabilities)	\$ 24,397	15,647

Significant assumptions utilized in determining the benefits obligations are as follows:

	<u>2016</u>	<u>2015</u>
Discount rate	3.35%	4.11%
Rate of compensation increase	3.00	3.00

Net periodic benefit cost recognized for the years ended June 30, 2016 and 2015 totaled \$231 and \$214, respectively. The amounts recognized in net assets, but not yet recognized in net periodic benefit cost and the components of net periodic benefit cost are as follows:

	<u>2016</u>	<u>2015</u>
Amounts recognized in net assets but not yet recognized in net periodic benefit cost:		
Prior service costs	\$ 58	77
Net loss	26,838	17,099
Total amount recognized in net assets	<u>\$ 26,896</u>	<u>17,176</u>

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

	2016	2015
Components of net periodic benefit cost:		
Service cost	\$ 446	479
Interest cost	1,951	1,918
Expected return on plan assets	(2,607)	(2,608)
Amortization of prior service cost	19	19
Recognized actuarial loss	422	406
Net periodic benefit cost	\$ 231	214

For the defined-benefit pension plan, the net actuarial loss and prior service cost that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal year 2016 total \$421 and \$19, respectively. The net actuarial loss and prior service cost that was amortized from unrestricted net assets in net periodic benefit cost in fiscal year 2015 total \$406 and \$19, respectively.

Significant assumptions utilized in determining the net periodic benefit cost are as follows:

	2016	2015
Discount rate	4.1%	4.0%
Expected return on plan assets	8.0	8.0
Rate of compensation increase	3.0	3.0

The expected return on plan assets is developed based on applying historical average total returns by asset class to the Plan's current asset allocation.

The Plan's investments were held in the CLIF at June 30, 2016 and 2015. The Plan held units representing 6.48% and 6.71% of the CLIF at June 30, 2016 and 2015, respectively. See note 5 for allocation of assets within the CLIF.

The pension funding obligations are long term in nature; consequently, the investment of the pension assets should have a long-term focus. The assets are invested in accordance with sound investment practices that emphasize long-term fundamentals. The investment objectives for the assets are:

- To achieve a positive rate of return over the long term that significantly contributes to meeting pension obligations, including actuarial interest and benefit payment obligations
- To earn long-term returns that keep pace with or exceed the long run inflation rate
- To diversify the assets in order to reduce the risk of significant fluctuations in market value from period to period in accordance with the Organization's asset allocation goals of 60% to 80% equity securities and 20% to 30% bonds and notes payable.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

Estimated future benefit payments, which reflect future service, as appropriate, are expected to be paid as follows:

2017	\$	2,811
2018		2,843
2019		2,912
2020		3,024
2021		3,035
2022–2026		16,206

Defined-Contribution Plans

The Centers offer their employees the right to participate in a 401(k) plan after completing one year of service and after having reached the age of 21. Employees may choose to defer 1% to 15% of their compensation that would have been received in the plan year. Employee contributions are fully vested at all times and are not subject to forfeiture for any reason. Participants who have completed one year of service and are actively employed on the last day of the plan year are eligible to receive a discretionary employer matching contribution. The Hospital and WEOC have established 403(b) plans with the same criteria as above. The Hospital’s plan became effective as of October 1, 2010 for all new hires. For the years ended June 30, 2016 and 2015, the employer match for all eligible employees is up to 2% of an employee’s compensation with a maximum compensation of \$200. The employer’s contributions for the years ended June 30, 2016 and 2015 relating to the 401(k) and 403(b) plans were \$283 and \$370, respectively. The employer match is included in the consolidated statements of operations, pension costs.

(10) Functional Expenses

The Organization primarily provides ophthalmology and other ambulatory surgical services to residents within its geographic location. The Organization’s expenses for these services are as follows as of June 30, 2016 and 2015:

		<u>2016</u>	<u>2015</u>
Healthcare services	\$	63,630	60,934
General and administrative		8,717	9,709
	\$	<u>72,347</u>	<u>70,643</u>

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

(11) Endowments

The Hospital's endowment consists of approximately 30 individual funds established for a variety of purposes by donors. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) *Interpretation of Relevant Law*

The Hospital classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Hospital in a manner consistent with the standard of prudence prescribed by relevant law. Pennsylvania law permits the Board of Trustees to make an election to annually appropriate for expenditure a selected percentage between 2% and 7% of the fair value of the assets related to donor-restricted endowment funds averaged over a period of three or more preceding years, provided the Board has determined that such percentage is consistent with the long-term preservation of the real value of such assets.

(b) *Return Objectives and Risk Parameters*

The Hospital 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 Organization must hold in perpetuity or for a donor-specified period. The Hospital expects its endowment funds, over time to provide an average rate of return of 8% annually. Actual returns in any given year may vary from that amount.

(c) *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate of return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Hospital targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints, through its investment in the CLIF.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

(d) *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Hospital has a policy of appropriating for distribution each year up to 5% of its donor-restricted endowment funds based on the average market value over the prior 20 quarters preceding each December 31. In establishing this policy, the Hospital considered the long-term expected return on its funds. This is consistent with the Hospital’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. The spending rate for both 2016 and 2015 was 5% for donor-restricted funds.

(e) *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount maintained as permanently restricted net assets. There were no deficiencies of this nature as of June 30, 2016 or 2015. Such deficiencies, if they exist, are recorded in unrestricted net assets.

(f) *Net Asset Classifications of Endowments*

Net asset classifications by type of restriction as of June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	3,779	20,083	23,862
	<u>\$ —</u>	<u>3,779</u>	<u>20,083</u>	<u>23,862</u>

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

Changes in restricted net assets for the year ended June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>restricted</u>	<u>restricted</u>	<u>Total</u>
Restricted net assets, beginning of year	\$ —	5,384	18,639	24,023
Investment return:				
Investment income	—	301	—	301
Net appreciation (realized and unrealized gains and losses)	—	(1,203)	—	(1,203)
Total investment return	—	(902)	—	(902)
Contributions	—	—	305	305
Appropriation of restricted assets for expenditure	—	(703)	—	(703)
Other changes:				
Transfer from temporarily restricted funds	—	—	1,087	1,087
Increase in cash value life insurance policy	—	—	52	52
	<u>\$ —</u>	<u>3,779</u>	<u>20,083</u>	<u>23,862</u>

Net asset classifications by type of restriction as of June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	5,384	18,639	24,023
	<u>\$ —</u>	<u>5,384</u>	<u>18,639</u>	<u>24,023</u>

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

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

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Restricted net assets, beginning of year	\$ —	5,730	18,315	24,045
Investment return:				
Investment income	—	412	—	412
Net appreciation (realized and unrealized gains and losses)	—	(55)	—	(55)
Total investment return	—	357	—	357
Contributions	—	—	327	327
Appropriation of restricted assets for expenditure	—	(703)	—	(703)
Other changes:				
Reduction in cash value life insurance policy	—	—	(3)	(3)
	<u>\$ —</u>	<u>5,384</u>	<u>18,639</u>	<u>24,023</u>

(12) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Such assets are restricted for research, education, and other activities of the Organization. At June 30, 2016, \$3,779 of the \$11,455 temporarily restricted net asset balance represents accumulated gains on donor-restricted endowments, and the remaining \$7,676 represents amounts temporarily restricted for research, education, and other activities. At June 30, 2015, \$5,384 of the \$14,985 temporarily restricted net asset balance represents accumulated gains on donor-restricted endowments, and the remaining \$9,601 represents amounts temporarily restricted for research, education, and other activities.

Permanently restricted net assets consist of contributions whose use by the Organization 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 Organization. At June 30, 2016 and 2015, permanently restricted net assets of \$20,083 and \$18,639, respectively, are required to be held in perpetuity with the expendable income earned thereon to be used to support healthcare services, education, and research.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

(13) Transfer from Temporarily Restricted to Endowments

During fiscal year 2016, the Organization received communications from two previous donors for the desire to endow previously received and future donations. The Organization transferred \$1,087 from temporarily restricted net assets to permanently restricted net assets.

(14) Noncontrolling Interest

The reconciliation of the noncontrolling interest reported in unrestricted net assets is as follows:

	<u>Wills Eye Hospital</u>	<u>Noncontrolling interest</u>	<u>Unrestricted net assets</u>
Balance at June 30, 2014	\$ 42,760	1,151	43,911
Operating loss	(5,964)	96	(5,868)
Non operating income	4,329	—	4,329
Excess of revenues over expenses	(1,635)	96	(1,539)
Adjustment to pension benefit obligation	(611)	—	(611)
Net assets released for purchase of property and equipment	338	—	338
Donated equipment	96	—	96
Distributions to noncontrolling interest in consolidated subsidiaries	—	(422)	(422)
Gain/(loss) on sale/purchase of shares	118	(118)	—
Purchase of shares to noncontrolling minority shareholder	—	133	133
Change in net assets	(1,694)	(311)	(2,005)
Balance at June 30, 2015	41,066	840	41,906
Operating loss	(10,371)	339	(10,032)
Other income	3,585	—	3,585
Shortfall of revenues over expenses	(6,786)	339	(6,447)
Adjustment to pension benefit obligation	(9,719)	—	(9,719)
Net assets released for purchase of property and equipment	458	—	458
Distributions to noncontrolling interest in consolidated subsidiaries	—	(432)	(432)
Proceeds from the sale of shares to minority shareholder	—	78	78
Change in net assets	(16,047)	(15)	(16,062)
Balance at June 30, 2016	\$ 25,019	825	25,844

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

(15) Commitments and Contingencies

General

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Organization is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made that are expected to have a material effect on the consolidated financial statements, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Malpractice Insurance

The Organization has primary claims made medical malpractice insurance from various commercial insurers, as well as excess coverage for claims that exceed the primary limits. The Organization's accrual for estimated medical malpractice claims was \$341 and \$225 at June 30, 2016 and 2015 respectively. This includes estimates of the ultimate costs for both reported claims and claims incurred, but not reported, and is included in other liabilities on the consolidated balance sheets. Total medical malpractice insurance costs were \$842 and \$671 for the years ended June 30, 2016 and 2015, respectively.

(16) Subsequent Events

The Organization evaluated subsequent events after the consolidated balance sheet date of June 30, 2016 through November 21, 2016, which was the date the consolidated financial statements were issued.

On October 26, 2016, the Departmental Appeal Board of the U.S. Department of Health and Human Services (DAB) ruled in favor of CMS concerning Wills Eye Hospital's appeal of an adverse decision of the Administrative Law Judge concerning its denial of hospital participation in the Medicare program. Wills Eye Hospital continues to negotiate with CMS concerning a mutually acceptable settlement of the matter. In the event that such negotiations do not result in a mutually acceptable settlement of the matter, Wills Eye Hospital intends avail itself of its legal rights to appeal the decision of the DAB to Federal District Court and to request reconsideration of the DAB decision on or before December 26, 2016. Management does not feel there is currently a financial impact to this ruling as it has not accounted for Medicare program patients on an inpatient status.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – FASB Basis

June 30, 2016 and 2015

(Dollars in thousands)

During fiscal year 2016, management received notification of a bequest to Wills Eye Hospital as a one-third beneficiary to an estate approximating \$11,000. At that time an estate receivable, included in as other current assets, of \$3,900 was recorded. Management has received new information that may increase this receivable by approximately \$200 to \$700, less trustee and legal fees. As no information is available to determine those fees, no additional receivable has been recorded.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Consolidating Balance Sheet Information – FASB Basis

June 30, 2016

(In thousands)

Assets	Wills Eye Hospital	Wills Eye Foundation	Cherry Hill	Warminster	Cottman	AASOP	Plymouth Meeting	Stadium	Premium Eye Surgeons
Current assets:									
Cash and cash equivalents	\$ 1,112	166	253	138	168	18	144	200	—
Investments	21,452	—	—	—	—	—	—	—	—
Patient accounts receivable, net of allowance for doubtful accounts	3,819	—	659	428	273	77	365	355	—
Inventory	557	—	281	134	98	—	163	179	—
Other current assets	6,380	106	89	51	60	18	79	78	—
Due from affiliates	1,284	—	—	—	1	—	—	—	—
Total current assets	<u>34,604</u>	<u>272</u>	<u>1,282</u>	<u>751</u>	<u>600</u>	<u>113</u>	<u>751</u>	<u>812</u>	<u>—</u>
Assets whose use is limited or restricted:									
By board for research	4,146	—	—	—	—	—	—	—	—
By board for other	1,078	—	—	—	—	—	—	—	—
Donor-restricted	29,063	2,078	—	—	—	—	—	—	—
Held under debt agreements	24,144	—	—	—	—	—	—	—	—
Total assets whose use is limited or restricted	<u>58,431</u>	<u>2,078</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Investments in joint ventures	—	—	—	—	—	—	—	—	—
Investments in subsidiaries	7,785	—	—	—	—	—	—	—	—
Property and equipment, net	26,642	8	543	466	663	20	495	521	—
Other assets	623	—	—	—	—	—	—	—	—
Total	<u>\$ 128,085</u>	<u>2,358</u>	<u>1,825</u>	<u>1,217</u>	<u>1,263</u>	<u>133</u>	<u>1,246</u>	<u>1,333</u>	<u>—</u>

(Continued)

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Consolidating Balance Sheet Information – FASB Basis

June 30, 2016

(In thousands)

Assets	Wills Eye Surgical Network L.L.C.	Wills Eye Community Surgical Services Corp.	Wills Eye Community Surgical Cottman/ Buxmont	Wills Eye Ophthalmology Clinic	Wills Eye Ophthalmology Clinic ER	Abbot	Total eliminations	Consolidated totals
Current assets:								
Cash and cash equivalents	\$ 185	152	8	163	—	38	—	2,745
Investments	—	—	—	—	—	—	—	21,452
Patient accounts receivable, net of allowance for doubtful accounts	—	—	—	779	—	—	—	6,755
Other current assets	332	—	—	92	—	—	—	1,504
Due from affiliates	—	—	—	194	—	—	—	7,387
	—	—	—	4	—	—	(1,289)	—
Total current assets	<u>517</u>	<u>152</u>	<u>8</u>	<u>1,232</u>	<u>—</u>	<u>38</u>	<u>(1,289)</u>	<u>39,843</u>
Assets whose use is limited or restricted:								
By board for research	—	—	—	—	—	—	—	4,146
By board for other	—	—	—	—	—	—	—	1,078
Donor-restricted	—	—	—	—	—	—	—	31,141
Held under debt agreements	—	—	499	—	—	—	—	24,643
Total assets whose use is limited or restricted	—	—	499	—	—	—	—	61,008
Investments in joint ventures	—	3,316	—	—	—	—	—	3,316
Investments in subsidiaries	—	—	—	—	—	—	(7,785)	—
Property and equipment, net	121	—	—	3	—	4,273	—	33,755
Other assets	—	—	—	—	—	—	—	623
Total	<u>\$ 638</u>	<u>3,468</u>	<u>507</u>	<u>1,235</u>	<u>—</u>	<u>4,311</u>	<u>(9,074)</u>	<u>138,545</u>

(Continued)

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Consolidating Balance Sheet Information – FASB Basis

June 30, 2016

(In thousands)

Liabilities and Net Assets	Wills Eye Hospital	Wills Eye Foundation	Cherry Hill	Warminster	Cottman	AASOP	Plymouth Meeting	Stadium	Premium Eye Surgeons
Current liabilities:									
Current portion of long-term debt	\$ 716	—	13	115	73	—	37	69	—
Financing obligation	440	—	—	—	—	—	—	—	—
Accounts payable	6,578	167	1,211	556	157	—	374	415	—
Accrued salaries and other expenses	2,779	80	227	84	114	67	77	107	—
Other liabilities	867	—	—	—	—	—	—	—	—
Due to affiliates	—	4	30	10	9	—	105	13	—
Total current liabilities	<u>11,380</u>	<u>251</u>	<u>1,481</u>	<u>765</u>	<u>353</u>	<u>67</u>	<u>593</u>	<u>604</u>	<u>—</u>
Long-term debt, net of current portion	21,521	—	46	860	118	—	118	181	—
Financing obligation	6,318	—	—	—	—	—	—	—	—
Pension benefit obligation	24,397	—	—	—	—	—	—	—	—
Interest rate swap liability	9,132	—	—	—	—	—	—	—	—
Other liabilities	111	—	—	—	—	—	—	—	—
Total liabilities	<u>72,859</u>	<u>251</u>	<u>1,527</u>	<u>1,625</u>	<u>471</u>	<u>67</u>	<u>711</u>	<u>785</u>	<u>—</u>
Net assets:									
Unrestricted – undesignated	19,795	(49)	298	(408)	792	66	535	548	—
Unrestricted – noncontrolling interest	825	—	—	—	—	—	—	—	—
Unrestricted – board-designated	5,224	—	—	—	—	—	—	—	—
Unrestricted	<u>25,844</u>	<u>(49)</u>	<u>298</u>	<u>(408)</u>	<u>792</u>	<u>66</u>	<u>535</u>	<u>548</u>	<u>—</u>
Temporarily restricted	10,099	1,356	—	—	—	—	—	—	—
Permanently restricted	19,283	800	—	—	—	—	—	—	—
Total net assets	<u>55,226</u>	<u>2,107</u>	<u>298</u>	<u>(408)</u>	<u>792</u>	<u>66</u>	<u>535</u>	<u>548</u>	<u>—</u>
Total liabilities and net assets	\$ <u>128,085</u>	<u>2,358</u>	<u>1,825</u>	<u>1,217</u>	<u>1,263</u>	<u>133</u>	<u>1,246</u>	<u>1,333</u>	<u>—</u>

(Continued)

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Consolidating Balance Sheet Information – FASB Basis

June 30, 2016

(In thousands)

Liabilities and Net Assets	Wills Eye Surgical Network L.L.C.	Wills Eye Community Surgical Services Corp.	Wills Eye Community Surgical Cottman/ Buxmont	Wills Eye Ophthalmology Clinic	Wills Eye Ophthalmology Clinic ER	Abbot	Total eliminations	Consolidated totals
Current liabilities:								
Current portion of long-term debt	\$ —	200	—	—	—	24	—	1,247
Financing obligation	—	—	—	—	—	—	—	440
Accounts payable	4	—	—	1,331	—	—	(1)	10,792
Accrued salaries and other expenses	250	—	—	469	—	—	—	4,254
Other liabilities	—	—	—	157	—	—	—	1,024
Due to affiliates	160	—	—	1	—	956	(1,288)	—
Total current liabilities	414	200	—	1,958	—	980	(1,289)	17,757
Long-term debt, net of current portion	—	334	—	—	—	266	—	23,444
Financing obligation	—	—	—	—	—	—	—	6,318
Pension benefit obligation	—	—	—	—	—	—	—	24,397
Interest rate swap liability	—	4	—	—	—	—	—	9,136
Other liabilities	—	—	—	—	—	—	—	111
Total liabilities	414	538	—	1,958	—	1,246	(1,289)	81,163
Net assets:								
Unrestricted – undesignated	224	2,930	507	(723)	—	3,065	(7,785)	19,795
Unrestricted – noncontrolling interest	—	—	—	—	—	—	—	825
Unrestricted – board-designated	—	—	—	—	—	—	—	5,224
Unrestricted	224	2,930	507	(723)	—	3,065	(7,785)	25,844
Temporarily restricted	—	—	—	—	—	—	—	11,455
Permanently restricted	—	—	—	—	—	—	—	20,083
Total net assets	224	2,930	507	(723)	—	3,065	(7,785)	57,382
Total liabilities and net assets	\$ 638	3,468	507	1,235	—	4,311	(9,074)	138,545

See accompanying independent auditors' report – FASB Basis.

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Consolidating Statement of Operations and Changes in Net Assets Information – FASB Basis

Year ended June 30, 2016

(In thousands)

	Wills Eye Hospital	Wills Eye Foundation	Cherry Hill	Warminster	Cottman	AASOP	Plymouth Meeting	Stadium	Premium Eye Surgeons
Unrestricted revenues:									
Patient service revenue (net of contractual allowances and discounts)	\$ 21,724	—	8,974	3,696	3,547	930	3,994	3,626	—
Provisions for bad debts	(485)	—	(30)	(10)	(35)	(24)	(20)	(21)	—
Net patient service revenue less provision for bad debts	21,239	—	8,944	3,686	3,512	906	3,974	3,605	—
Other revenue	6,855	—	6	—	—	—	—	6	—
Net assets released from restrictions	1,335	1,163	—	—	—	—	—	—	—
Total revenues	29,429	1,163	8,950	3,686	3,512	906	3,974	3,611	—
Expenses:									
Salaries and benefits other than pensions	13,842	794	2,742	951	1,297	1,191	1,122	1,352	—
Pension costs	348	9	35	14	20	30	11	16	—
Supplies and other expenses	16,456	955	5,324	2,599	1,813	141	2,384	1,942	5
Insurance	721	14	132	57	56	124	56	58	—
Professional – legal and consulting	997	58	58	17	12	22	17	28	5
Professional – medical	533	284	35	36	35	—	35	35	—
Depreciation and amortization	2,530	—	192	113	113	3	97	109	—
Interest	1,598	—	(1)	32	8	—	12	8	—
Total expenses	37,025	2,114	8,517	3,819	3,354	1,511	3,734	3,548	10
Operating loss	(7,596)	(951)	433	(133)	158	(605)	240	63	(10)
Other income (loss):									
Net realized and unrealized losses on investments	(1,233)	—	—	—	—	—	—	—	—
Interest rate swaps valuation adjustment	(1,649)	—	—	—	—	—	—	—	—
Investment income, net	(865)	8	(39)	—	1	—	—	(1)	—
Contributions	4,557	525	—	—	—	—	—	—	—
Total other income (loss)	810	533	(39)	—	1	—	—	(1)	—
Excess (deficiency) of revenue over expenses	(6,786)	(418)	394	(133)	159	(605)	240	62	(10)
Net assets released from restrictions used for purchases of property and equipment	458	—	—	—	—	—	—	—	—
Adjustment to pension benefit obligation	(9,719)	—	—	—	—	—	—	—	—
Purchases of noncontrolling interests	—	—	—	4	—	—	74	—	—
Gain/(loss) on purchase and sale of noncontrolling interest	—	—	—	—	—	—	—	—	—
Distribution to noncontrolling interests in consolidated subsidiary	—	373	(400)	(159)	(120)	546	(354)	(101)	(17)
(Decrease) increase in unrestricted net assets	\$ (16,047)	(45)	(6)	(288)	39	(59)	(40)	(39)	(27)

(Continued)

**WILLS EYE HOSPITAL
AND SUBSIDIARIES**

Consolidating Statement of Operations and Changes in Net Assets Information – FASB Basis

Year ended June 30, 2016

(In thousands)

	Wills Eye Surgical Network L.L.C.	Wills Eye Community Surgical Services Corp.	Wills Eye Community Surgical Cottman/ Buxmont	Wills Eye Ophthalmology Clinic	Wills Eye Ophthalmology Clinic ER	Abbot	Total eliminations	Consolidated totals
Unrestricted revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ —	—	—	6,487	488	—	—	53,466
Provisions for bad debts	—	—	—	(297)	(70)	—	—	(992)
Net patient service revenue less provision for bad debts	—	—	—	6,190	418	—	—	52,474
Other revenue	919	10	—	354	—	392	(1,199)	7,343
Net assets released from restrictions	—	—	—	—	—	—	—	2,498
Total revenues	919	10	—	6,544	418	392	(1,199)	62,315
Expenses:								
Salaries and benefits other than pensions	756	—	—	4,721	210	—	—	28,978
Pension costs	—	—	—	31	—	—	—	514
Supplies and other expenses	153	6	2	2,117	47	13	(1,199)	32,758
Insurance	9	—	—	233	21	1	—	1,482
Professional – legal and consulting	38	—	—	85	3	2	—	1,342
Professional – medical	—	—	—	1,264	89	—	—	2,346
Depreciation and amortization	27	—	1	3	—	67	—	3,255
Interest	—	22	—	—	—	7	(14)	1,672
Total expenses	983	28	3	8,454	370	90	(1,213)	72,347
Operating loss	(64)	(18)	(3)	(1,910)	48	302	14	(10,032)
Other income (loss):								
Net realized and unrealized losses on investments	—	—	—	—	—	—	—	(1,233)
Interest rate swaps valuation adjustment	—	1	—	—	—	—	—	(1,648)
Investment income, net	—	538	13	—	—	—	1,729	1,384
Contributions	—	—	—	—	—	—	—	5,082
Total other income (loss)	—	539	13	—	—	—	1,729	3,585
Excess (deficiency) of revenue over expenses	(64)	521	10	(1,910)	48	302	1,743	(6,447)
Net assets released from restrictions used for purchases of property and equipment	—	—	—	—	—	—	—	458
Adjustment to pension benefit obligation	—	—	—	—	—	—	—	(9,719)
Purchases of noncontrolling interests	—	—	—	—	—	—	—	78
Gain/(loss) on purchase and sale of noncontrolling interest	—	—	—	—	—	—	—	—
Distribution to noncontrolling interests in consolidated subsidiary	—	(757)	(71)	1,893	(135)	—	(1,130)	(432)
(Decrease) increase in unrestricted net assets	\$ (64)	(236)	(61)	(17)	(87)	302	613	(16,062)

See accompanying independent auditors' report – FASB Basis.



COLLECTIVE LEGAL INVESTMENT FUND

Financial Statements – FASB Basis and
Sundry Trusts Supplementary Information

December 31, 2016

(With Independent Auditors' Report Thereon)

COLLECTIVE LEGAL INVESTMENT FUND

Table of Contents

	Page
Independent Auditors' Report	III-1
Collective Legal Investment Fund:	
Statement of Assets and Liabilities – FASB Basis	III-3
Schedule of Investments – FASB Basis	III-4
Statement of Operations – FASB Basis	III-5
Statement of Changes in Net Assets – FASB Basis	III-6
Statement of Cash Flows – FASB Basis	III-7
Notes to Financial Statements – FASB Basis	III-8
Supplementary Schedules (Sundry Trusts):	
Abrams, David J.	III-15
Anderson, Richard C.	III-16
Armitt, Ann	III-17
Ashbridge, Samuel H.	III-18
Bailey Scholarship, Helen Cheyney	III-19
Baugh Medal, Daniel	III-20
Beck Fuel, Paul	III-21
Beck Soup, Paul	III-22
Blankenburg Pension, Rudolph	III-23
Boudinot, Elias	III-24
Brocklehurst, Harry	III-25
Brown Scholarship, Major Charles	III-26
Calhoun, Joseph W.	III-27
Carter, William	III-28
Cavanaugh, Margaret E.	III-29
Cermele, Pat and Rita	III-30
Chambers, Andrew R.	III-31
City Fuel	III-32
Claypoole, James	III-33
Cooper Memorial, E. Newbold	III-34
Cope, Sophie E. F.	III-35
Dading Scholarship, Charles Henry and Charlotte Wilkinson	III-36
Deal, Horace	III-37
Delaware Avenue	III-38
Dene Award, Ruth	III-39
Directors and Officers Fiduciary Liability	III-40
Dodd, Hannah Matilda	III-41
Doyle (Penn Treaty Park), Michael F.	III-42
Dutton, James	III-43
Early Eighties Prize	III-44
Egan Civic Award, Fran	III-45

COLLECTIVE LEGAL INVESTMENT FUND

Table of Contents

	Page
Emlen, George	III-46
Ferguson Prize, Joseph C.	III-47
Fetter Scholarship, George W.	III-48
Fetter Scholarship, Rufus M.	III-49
Fink Prize, Daniel	III-50
Fink Scholarship, Daniel	III-51
Fire Insurance	III-52
Freas, Philip R.	III-53
Fulton Scholarship, Inez	III-54
Giardello Statue	III-55
Gideon Memorial Prize, Edward	III-56
Girard Fuel, Stephen	III-57
Girard School, Stephen	III-58
Githens, Sherwood	III-59
Good, Juliana H.	III-60
Goodman Scholarship, Joseph C. and Clare F.	III-61
Gowing Memorial Scholarship, Fred	III-62
Gratz Prize, Simon	III-63
Gratz Teachers, Simon	III-64
Grissinger, Charles R.	III-65
Grover, Thomas	III-66
Harrison Memorial, George L. and Emily McMichael	III-67
Herrick Scholarship, Cheesman	III-68
Heupel, Joseph	III-69
Holloway, Jennie E.	III-70
Hollowbush, Virginia H.	III-71
Holman Memorial, Harold	III-72
Houston, John	III-73
Jacobs Scholarship, David	III-74
James Cemetery, Bushrod W.	III-75
Kinnier, Ellen	III-76
Koehl, George – Girard College	III-77
Koehl, George – Spending Money	III-78
Kuhn, Henry J. and Willemina B.	III-79
Lare Memorial, Edwin G.	III-80
Lefcoe Scholarship, Sylvan	III-81
Lennon, James E.	III-82
Levi, S. George and Emmy A.	III-83
Maynes, John E.	III-84
McLaughlin, Mary Alice	III-85
McMahon, Bernard	III-86
Mercer, Alexander G., “Hall Fund”	III-87
Meyer, George L.	III-88

COLLECTIVE LEGAL INVESTMENT FUND

Table of Contents

	Page
Mieterer, Gertrude J.	III-89
Moore Scholarship, Bowman H. and Lillian M.	III-90
Morris, Benjamin W. and Isaac W.	III-91
Muhr Scholarship, Simon	III-92
Neison, John	III-93
Omin Memorial, William W. and Betty	III-94
Powell, Edward	III-95
Quinn, Murtha P.	III-96
Ringe Prize, Thomas B. K.	III-97
Rittenhouse School	III-98
Roberts School	III-99
Rodenbough, Elmer	III-100
Ross Memorial, George	III-101
Saulino, Antonio	III-102
Scholarship Fund of Girard College, The	III-103
Schrack, Christian	III-104
Scott Medal, John	III-105
Scott, William	III-106
Scotten, Samuel	III-107
Seybert, Henry	III-108
Sheaff Fuel, Frederick A.	III-109
Shields Fuel, Mary	III-110
Shields Hospital, Mary	III-111
Simcock Prize, Joseph	III-112
Snyder, Jacob J.	III-113
Spring Garden	III-114
Start Memorial, Raymond R.	III-115
Steuber, William D. and Marie	III-116
Steuber, William D. and Mary	III-117
Stiteler Prize, Frederick Deyle	III-118
Supplee, C. Henderson	III-119
Thole, Francis H.	III-120
Thomson, Archibald	III-121
Todd Scholarship, Lawrence	III-122
Twitchell, Seldon	III-123
Vare Medals, George A.	III-124
Wagner Prize, Louis	III-125
Warder, Elizabeth F.	III-126
Waters, Esther	III-127
Wheelock, Obadiah	III-128
White, J. William	III-129
Windrim Scholarship, James	III-130
Wright, Joseph	III-131



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Directors of City Trusts
Philadelphia, Pennsylvania:

We have audited the accompanying financial statements – Financial Accounting Standards Board (FASB) basis of the Collective Legal Investment Fund, which comprise the statement of assets and liabilities – FASB basis and the schedule of investments – FASB basis as of December 31, 2016 and the related statements of operations – FASB basis, changes in net assets – FASB basis, and cash flows – FASB basis for the year then ended, and the related notes to the financial statements – FASB basis.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the FASB basis of accounting described in note 1(b). Management's responsibilities include 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Collective Legal Investment Fund as of December 31, 2016, and the results of its operations and cash flows for the year then ended, in accordance with the FASB basis of accounting described in note 1(b) to the financial statements – FASB basis.



Other Matters

Basis of Accounting

We draw your attention to note 1(b), which describes the basis of accounting. The financial statements are prepared in accordance with standards promulgated by the FASB, which is a basis of accounting other than U.S. generally accepted accounting principles for government entities, which are promulgated by the Governmental Accounting Standards Board. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents for the year ended December 31, 2016 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Philadelphia, Pennsylvania
June 30, 2017

COLLECTIVE LEGAL INVESTMENT FUND

Statement of Assets and Liabilities – FASB Basis

December 31, 2016

Assets:

Investments in securities, at fair value	\$ 487,302,305
Cash and cash equivalents	1,926,829
Investment income receivable	1,833,236
Receivables	312,524
Collateral received for securities on loan	<u>169,508,961</u>

Total assets 660,883,855

Liabilities:

Accrued expenses	1,019,791
Due to participating trusts	2,009,957
Payable for securities on loan	<u>169,508,961</u>

Total liabilities 172,538,709

Net assets \$ 488,345,146

See accompanying notes to financial statements – FASB basis.

COLLECTIVE LEGAL INVESTMENT FUND

Schedule of Investments – FASB Basis

December 31, 2016

	<u>Fair value</u>
Short-term investments (cost \$13,771,211) – 2.8%	\$ <u>13,771,211</u>
Equities – 60.6%:	
U.S. common stocks – 44.1%:	
Industrials – 6.1%	29,600,802
Consumer discretionary – 6.6%	32,358,411
Consumer staples – 3.0%	14,937,412
Energy – 2.8%	13,768,939
Financial – 7.6%	37,051,888
Materials – 1.5%	7,382,937
Information technology – 9.0%	43,863,799
Utilities – 0.6%	2,745,372
Healthcare – 4.9%	23,760,758
Telecommunications and other – 2.0%	<u>9,555,163</u>
Total U.S. common stocks (cost \$185,914,402)	<u>215,025,481</u>
Exchange-traded funds – 10.5%:	
S&P 500 Index SPDR – 5.6%	27,248,307
Select Sector SPDRs – 4.9%	<u>23,750,822</u>
Total exchange traded funds (cost \$37,303,668)	<u>50,999,129</u>
International equity mutual funds (cost \$27,148,548) – 6.0%	<u>28,806,125</u>
Total equities (cost \$250,366,618)	<u>294,830,735</u>
Fixed income – 30.1%:	
U.S. government and agency obligations – 7.0%:	
U.S. Treasury bonds and notes – 6.9%	33,685,647
Other – 0.1%	<u>536,705</u>
Total U.S. government and agency obligations (cost \$34,463,723)	34,222,352
U.S. corporate and other bonds (cost \$84,914,145) – 17.6%	85,778,678
Asset-backed securities (cost \$1,005,611) – 0.2%	1,043,845
Mortgage-backed securities (cost \$889,038) – 0.2%	862,444
Mutual funds (cost \$25,517,208) – 5.1%	<u>25,069,547</u>
Total fixed income (cost \$146,789,725)	<u>146,976,866</u>
Global tactical asset allocation mutual funds (cost \$25,302,139) – 4.8%	<u>23,322,577</u>
Private equity funds (cost \$8,400,916) – 1.7%	<u>8,400,916</u>
Total investments (cost \$444,630,609) – 100.0%	\$ <u><u>487,302,305</u></u>

See accompanying notes to financial statements – FASB basis.

COLLECTIVE LEGAL INVESTMENT FUND

Statement of Operations – FASB Basis

Year ended December 31, 2016

Income:		
Interest income	\$	5,541,373
Dividend income		6,185,115
Net income from securities lending		496,760
Other income		307,277
		<hr/>
Total investment income		12,530,525
Expenses:		
Investment fees and other expenses		4,164,276
		<hr/>
Total expenses		4,164,276
		<hr/>
Net investment income		8,366,249
Net realized and unrealized gain on investments:		
Net realized gain from investment transactions		6,685,540
Net change in unrealized appreciation of investments		16,040,564
		<hr/>
Net appreciation in fair value of investments		22,726,104
		<hr/>
Change in net assets from operations	\$	31,092,353
		<hr/> <hr/>

See accompanying notes to financial statements – FASB basis.

COLLECTIVE LEGAL INVESTMENT FUND

Statement of Changes in Net Assets – FASB Basis

Year ended December 31, 2016

Operations:	
Net investment income	\$ 8,366,249
Net realized gain from investment transactions	6,685,540
Net change in unrealized appreciation of investments	<u>16,040,564</u>
Change in net assets from operations	31,092,353
Net distributions to unit holders:	
Net investment income	(6,955,748)
Cash received for units issued during the year	7,895,560
Cash paid for units redeemed during the year	<u>(12,001,709)</u>
Change in net assets	20,030,456
Net assets:	
Beginning of year	<u>468,314,690</u>
End of year	<u>\$ 488,345,146</u>

See accompanying notes to financial statements – FASB basis.

COLLECTIVE LEGAL INVESTMENT FUND

Statement of Cash Flows – FASB Basis

Year ended December 31, 2016

Operating activities:	
Change in net assets	\$ 20,030,456
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Net realized and unrealized investment gains	(22,726,104)
Net cash paid to unit holders	4,106,149
Changes in assets and liabilities, which provided (used) cash:	
Investment income receivable	(176,237)
Due from participating trusts	62,586
Receivables	358,776
Accrued expenses	(1,166,575)
Due to participating trusts	535,744
Net cash provided by operating activities	<u>1,024,795</u>
Investing activities:	
Proceeds from sales of marketable securities	282,155,978
Purchases of marketable securities	(278,916,144)
Net proceeds from short-term investments	356,722
Net cash provided by investing activities	<u>3,596,556</u>
Financing activities:	
Net cash received for units issued	7,895,560
Net cash paid for units redeemed	(12,001,709)
Net cash used in financing activities	<u>(4,106,149)</u>
Net increase in cash and cash equivalents	515,202
Cash and cash equivalents, beginning of year	<u>1,411,627</u>
Cash and cash equivalents, end of year	<u>\$ 1,926,829</u>

See accompanying notes to financial statements – FASB basis.

COLLECTIVE LEGAL INVESTMENT FUND

Notes to Financial Statements – FASB Basis

December 31, 2016

(1) Summary of Significant Accounting Policies

(a) Description of the Entity

The Collective Legal Investment Fund (the CLIF) was created by the Board of Directors of City Trusts (the Board) to pool for investment management purposes the collective assets of the trusts it manages on behalf of the City of Philadelphia that are available for investment purposes, including certain assets of the Girard Estate, Wills Eye Institute, the three retirement plans of the Board, and 117 smaller trusts collectively referred to as the “Sundry Trusts.” The financial statements of the CLIF are not intended to represent all assets, liabilities, and activities of the investor trusts, only their collective investments in securities through the CLIF and related income, expenses, gains, and losses.

(b) Basis of Accounting

As described in note 1(g), the Board is an agency of the Commonwealth of Pennsylvania, and as such, the CLIF is subject to U.S. generally accepted accounting principles (U.S. GAAP) promulgated by the Governmental Accounting Standards Board (GASB). However, the Board has chosen to prepare the financial statements and notes thereto following the accounting standards promulgated by the Financial Accounting Standards Board (FASB) applicable to investment companies because it believes that the disclosures required for investment companies better reflect the purpose and operations of the CLIF.

A summary of the differences between the financial statements of the CLIF prepared in accordance with U.S. GAAP for investment companies and U.S. GAAP for state and local governments is as follows:

	Investment company GAAP	State and local GAAP
Management’s discussion and analysis	Not required	Required
Schedule of investments in securities	Required	Not required
Statement of operations	Required	Not required
Investment risk disclosures	Not required	Required
Financial highlights	Required	Not required

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or fund unit transactions between U.S. generally accepted accounting principles for investment companies and U.S. generally accepted accounting principles for state and local governments.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments, which are readily convertible to known amounts of cash and which have original maturities of three months or less when purchased, except for such amounts held in the investment accounts of the CLIF for long-term investment purposes.

COLLECTIVE LEGAL INVESTMENT FUND

Notes to Financial Statements – FASB Basis

December 31, 2016

(d) *Investments in Securities Valuation*

All investments in securities are reported at their estimated fair value, as described in note 2.

(e) *Security Loans*

The CLIF participates in a securities lending program as a means to generate incremental income. Through this program, the CLIF may lend its securities to qualified borrowers, through its lending agent, that meet certain guidelines established by the Board. All borrowings are initially secured by collateral in an amount equal to at least 102% of the fair value of the securities loaned and are marked to market daily. Each business day, the amount of collateral is adjusted based on the prior day's closing fair value. The collateral is invested in cash and cash equivalents. Income from lending activity is determined by the amount of interest earned on the invested collateral, a portion of which is allocated to the lending agent. The CLIF also is entitled to receive interest and dividends from securities on loan. As of December 31, 2016, the CLIF had loaned out certain securities, returnable on demand, with a market value of \$165,545,000 to several financial institutions that have deposited collateral with respect to such securities of \$169,509,000.

(f) *Distributions to Investor Trusts*

Units of the CLIF are generally purchased and sold based on the available cash and cash requirements of each of the participating trusts. Earnings from the CLIF are allocated to each participating trust on a monthly basis. Gains and losses from the sales of such units are determined on the last-in, first-out (LIFO) method. Distributions from the CLIF are used by the investor trusts for the purposes established by the creator of the trust. Expenditures by the investor trusts in fulfillment of trust purposes are not included in the financial statements of the CLIF.

(g) *Income Taxes*

The Board, statutory agent for the City of Philadelphia, has been determined to be an agency of the Commonwealth of Pennsylvania and, as such, is exempt from federal income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if it is more likely than not that the position would not be sustained upon examination by the IRS. Management has considered and assessed the impact of uncertain tax positions on the CLIF's financial statements in accordance with Accounting Standards Codification Topic 740, *Income Taxes*, and has concluded that no provision for income taxes is required as of December 31, 2016.

(h) *Security Transactions and Investment Income*

The CLIF records security transactions based on trade date. Dividend income is recognized on the ex-dividend date, and interest income is recognized on an accrual basis. Premiums and discounts on bonds owned are not amortized but are reflected in gains or losses on securities upon the disposition of the bonds.

The CLIF's accounting records are maintained in U.S. dollars. For valuation of assets and liabilities on each date of net asset value determination, foreign denominations are translated into U.S. dollars using the current exchange rate. Security transactions, income, and expenses are translated at the

COLLECTIVE LEGAL INVESTMENT FUND

Notes to Financial Statements – FASB Basis

December 31, 2016

prevailing rate of exchange on the date of the event. The effect of changes in foreign exchange rates on securities and foreign currencies is included with the net realized and unrealized gain or loss on investments.

(i) *Use of Estimates*

The preparation of the financial statements in conformity with the basis of accounting described in note 1(b) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

(2) **Securities Valuations**

Three levels of inputs may be used to measure fair value as follows:

- *Level 1:* Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.
- *Level 2:* Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities, and corporate debt securities.
- *Level 3:* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include 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. The CLIF held no Level 3 securities at December 31, 2016.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

(a) *Equity Securities*

Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, they are categorized in Level 1 of the fair value hierarchy.

(b) *Debt Securities*

U.S. government and other debt securities are valued at the closing price reported in the active market in which the security is traded, if available, and categorized in Level 1 of the fair value hierarchy. If

COLLECTIVE LEGAL INVESTMENT FUND

Notes to Financial Statements – FASB Basis

December 31, 2016

such information is not available, debt is valued based on yields currently available on comparable securities for issuers with similar credit ratings, and characterized in Level 2 of the fair value hierarchy.

Listed asset-backed securities are valued based on quoted market prices from the active market in which the instrument is principally traded and are categorized in Level 1 of the fair value hierarchy. If such quoted prices are not available, the fair value of the security is estimated based on models considering the estimated cash flows and expected yield. Such investments are categorized as Level 2 or Level 3 based on the extent inputs are observable and timely.

(c) ***Private Equity Funds***

Net asset values provided by limited partnership investees are based on estimates, appraisals, assumptions, and methods that are reviewed by CLIF management. The CLIF estimates the fair value of its limited partnership investments using the net asset value per share as reported by the investee as a practical expedient. Net asset value may differ from fair value as otherwise calculated in accordance with the basis of accounting described in note 1(b). Private equity funds, which are measured at net asset value per share as a practical expedient to fair value, have not been categorized in the fair value hierarchy table below. The fair value amounts presented in the table for these investments are intended to permit reconciliation of the fair value hierarchy table to the investment amounts presented in the financial statements.

COLLECTIVE LEGAL INVESTMENT FUND

Notes to Financial Statements – FASB Basis

December 31, 2016

The following table presents the CLIF’s fair value hierarchy measured at fair value on a recurring basis as of December 31, 2016 (in thousands):

	Fair value measurements at December 31, 2016 using		
	Fair value	Level 1	Level 2
Short-term investments	\$ 13,771	13,771	—
Equity securities:			
U.S. common stocks:			
Industrials	29,601	29,601	—
Consumer discretionary	32,358	32,358	—
Consumer staples	14,937	14,937	—
Energy	13,769	13,769	—
Financial	37,052	37,052	—
Materials	7,383	7,383	—
Information technology	43,864	43,864	—
Utilities	2,745	2,745	—
Healthcare	23,761	23,761	—
Telecommunications and other	9,555	9,555	—
Total U.S. common stocks	215,025	215,025	—
Exchange-traded funds:			
S&P 500 Index SPDR	27,248	27,248	—
Select Sector SPDRs	23,751	23,751	—
Total exchange-traded funds	50,999	50,999	—
International equity mutual funds	28,806	28,806	—
Total equity securities	294,830	294,830	—

COLLECTIVE LEGAL INVESTMENT FUND

Notes to Financial Statements – FASB Basis

December 31, 2016

	Fair value measurements at December 31, 2016 using		
	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Fixed income:			
Debt securities issued by the U.S.			
Treasury and other U.S. government corporations and agencies	\$ 33,686	33,526	160
Debt securities issued by states of the United States and political subdivisions of the states	537	—	537
Debt securities issued by foreign governments	65	—	65
Corporate debt securities	85,713	—	85,713
Asset-backed securities	1,044	—	1,044
Residential mortgage-backed securities	461	—	461
Commercial mortgage-backed securities	401	—	401
Mutual funds	25,070	25,070	—
Total fixed income	<u>146,977</u>	<u>58,596</u>	<u>88,381</u>
Global tactical asset allocation mutual funds	<u>23,323</u>	<u>23,323</u>	
Subtotal	<u>478,901</u>	<u>390,520</u>	<u>88,381</u>
Private equity funds reported at net asset value per share as a practical expedient	<u>8,401</u>		
Total	<u>\$ 487,302</u>		

(3) Financial Highlights

The total return on investments is calculated using the Bank Administration Institute (BAI) method, a daily weighted rate of return.

Total return on investments	7.09%
Net assets, end of year	\$ 488,345,000
Average net assets	478,330,000
Ratios to average net assets:	
Expenses	0.87%
Net investment income	1.75%
Change in net assets from operations	6.50%

COLLECTIVE LEGAL INVESTMENT FUND

Notes to Financial Statements – FASB Basis

December 31, 2016

(4) Risks and Uncertainties

The CLIF invests in various investment securities. Investment securities are exposed 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 investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of assets and liabilities.

(5) Subsequent Events

In connection with the preparation of the financial statements, CLIF management has evaluated subsequent events through June 30, 2017, which was the date that the financial statements were available to be issued, and noted no matters requiring disclosure.

DAVID J. ABRAMS FUND

Created 1967

By Bequest for the Use of Girard College

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 1,660,529
Increases:	
Income from invested funds	23,738
Net realized gain on sale of units	54,828
Net increase in unrealized appreciation in fair value of units	23,603
Total increases	<u>102,169</u>
Decreases:	
Administrative expenses	748
Distributions on behalf of Girard College	77,400
Total decreases	<u>78,148</u>
Change in net assets	<u>24,021</u>
Balance, December 31, 2016, at fair value	<u>\$ 1,684,550</u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 303
Investment income receivable	11,499
17,942 units of Collective Legal Investment Fund, at fair value	1,673,635
Accrued expenses	(887)
Balance, December 31, 2016, at fair value	<u>\$ 1,684,550</u>

See accompanying independent auditors' report.

RICHARD C. ANDERSON FUND

Created 1980

To be held in trust and the net income distributed annually to the athlete graduating from Girard College with the best academic record in their senior year.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>14,732</u>
Increases:	
Income from invested funds	210
Net realized gain on sale of units	503
Net increase in unrealized appreciation in fair value of units	<u>195</u>
Total increases	<u>908</u>
Decreases:	
Administrative expenses	7
Awards	<u>700</u>
Total decreases	<u>707</u>
Change in net assets	<u>201</u>
Balance, December 31, 2016, at fair value	\$ <u><u>14,933</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 195
Investment income receivable	101
157 units of Collective Legal Investment Fund, at fair value	14,645
Accrued expenses	<u>(8)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>14,933</u></u>

See accompanying independent auditors' report.

ANN ARMITT FUND

Created 1797

“To the Overseers of the poor or the Managers of the Bettering House.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>4,593</u>
Increases:	
Income from invested funds	77
Net realized gain on sale of units	234
Net increase in unrealized appreciation in fair value of units	<u>878</u>
Total increases	<u>1,189</u>
Decreases:	
Administrative expenses	2
Fuel office expenses	29
Cost of fuel distributed to the poor	<u>200</u>
Total decreases	<u>231</u>
Change in net assets	<u>958</u>
Balance, December 31, 2016, at fair value	\$ <u><u>5,551</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 12
Investment income receivable	38
59 units of Collective Legal Investment Fund, at fair value	5,504
Accrued expenses	<u>(3)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>5,551</u></u>

See accompanying independent auditors' report.

SAMUEL H. ASHBRIDGE FUND

Created 1948

“The net income when, and as often as, same is sufficient in amount shall be used for the support and maintenance, without charge, cost or expense to them, in appropriate homes, public or private, in the City of Philadelphia or its immediate suburbs, of indigent and worthy widows and single women, irrespective of race, creed or religion, of not less than fifty years of age, whose circumstances and necessities compel them to seek shelter and maintenance.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 241,827
Increases:	
Income from invested funds	3,517
Net realized gain on sale of units	2,894
Net increase in unrealized appreciation in fair value of units	8,803
Total increases	<u>15,214</u>
Decreases:	
Administrative expenses	111
Support and maintenance of indigent widows and single women	11,250
Total decreases	<u>11,361</u>
Change in net assets	<u>3,853</u>
Balance, December 31, 2016, at fair value	<u>\$ 245,680</u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 99
Investment income receivable	1,691
2,616 units of Collective Legal Investment Fund, at fair value	244,021
Accrued expenses	(131)
Balance, December 31, 2016, at fair value	<u>\$ 245,680</u>

See accompanying independent auditors' report.

HELEN CHEYNEY BAILEY SCHOLARSHIP FUND

Created 1966

“To provide scholarships for graduates of Philadelphia High School for Girls.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 74,944
Increases:	
Income from invested funds	1,094
Net realized gain on sale of units	3,417
Net increase in unrealized appreciation in fair value of units	176
Total increases	<u>4,687</u>
Decreases:	
Administrative expenses	35
Scholarship distributions	3,200
Total decreases	<u>3,235</u>
Change in net assets	<u>1,452</u>
Balance, December 31, 2016, at fair value	<u>\$ 76,396</u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 541
Investment income receivable	526
808 units of Collective Legal Investment Fund, at fair value	75,370
Accrued expenses	(41)
Balance, December 31, 2016, at fair value	<u>\$ 76,396</u>

See accompanying independent auditors' report.

DANIEL BAUGH MEDAL FUND

Created 1915

By Decree of Court, dated August 24, 1942, the net income is paid to the Firemen's Pension Fund of the City of Philadelphia for the benefit of its members.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>6,160</u>
Increases:	
Income from invested funds	89
Net realized gain on sale of units	<u>326</u>
Total increases	<u>415</u>
Decreases:	
Net decrease in unrealized appreciation in fair value of units	28
Administrative expenses	3
Contribution to Firemen's Pension Fund	<u>300</u>
Total decreases	<u>331</u>
Change in net assets	<u>84</u>
Balance, December 31, 2016, at fair value	\$ <u><u>6,244</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 235
Investment income receivable	42
64 units of Collective Legal Investment Fund, at fair value	5,970
Accrued expenses	<u>(3)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>6,244</u></u>

See accompanying independent auditors' report.

PAUL BECK FUEL FUND

Created 1844

Income “to purchase fuel for the use and benefit of the Outdoor poor, residing within the Corporate Limits of said City.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>58,807</u>
Increases:	
Income from invested funds	846
Net realized gain on sale of units	1,120
Net increase in unrealized appreciation in fair value of units	<u>1,637</u>
Total increases	<u>3,603</u>
Decreases:	
Administrative expenses	27
Fuel office expense	320
Cost of fuel distributed to the poor	<u>2,475</u>
Total decreases	<u>2,822</u>
Change in net assets	<u>781</u>
Balance, December 31, 2016, at fair value	\$ <u><u>59,588</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 90
Investment income receivable	410
637 units of Collective Legal Investment Fund, at fair value	59,420
Accrued expenses	<u>(332)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>59,588</u></u>

See accompanying independent auditors' report.

PAUL BECK SOUP FUND

Created 1844

Income to be paid "to such Soup Societies established in the (old) City of Philadelphia to aid such Societies in their humane endeavors to supply the poor with soup."

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>12,325</u>
Increases:	
Income from invested funds	185
Real estate income	500
Net realized gain on sale of units	8
Net increase in unrealized appreciation in fair value of units	<u>610</u>
Total increases	<u>1,303</u>
Decreases:	
Administrative expenses	6
Contribution to St. Francis Inn	<u>500</u>
Total decreases	<u>506</u>
Change in net assets	<u>797</u>
Balance, December 31, 2016, at fair value	\$ <u><u>13,122</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 166
Investment income receivable	90
138 units of Collective Legal Investment Fund, at fair value	12,873
Accrued expenses	<u>(7)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>13,122</u></u>

See accompanying independent auditors' report.

RUDOLPH BLANKENBURG PENSION FUND

Created 1909

“To divide the interest derived there from annually in three equal parts and pay one-third each to the Police Pension Fund, Firemen’s Pension Fund and Teachers’ Annuity Fund.” By Court adjudication, the Simon Gratz Teachers’ Fund was substituted for the Teachers’ Annuity Fund, which Fund went out of existence in 1960.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 76,388
Increases:	
Income from invested funds	1,130
Net realized gain on sale of units	2,306
Net increase in unrealized appreciation in fair value of units	1,461
Total increases	4,897
Decreases:	
Administrative expenses	36
Distribution to:	
Firemen’s Pension Fund	1,200
Police Pension Fund	1,200
Simon Gratz Teachers’ Fund	1,200
Total decreases	3,636
Change in net assets	1,261
Balance, December 31, 2016, at fair value	\$ 77,649

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 192
Investment income receivable	542
825 units of Collective Legal Investment Fund, at fair value	76,957
Accrued expenses	(42)
Balance, December 31, 2016, at fair value	\$ 77,649

See accompanying independent auditors’ report.

ELIAS BOUDINOT FUND

Created 1821

Income “for supplying the poor inhabitants of the City...at a price during winter Season not in any case exceeding the moderate average price of Wood during the preceding summer...with fuel.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 1,903,281
Increases:	
Income from invested funds	27,338
Net realized gain on sale of units	37,943
Net increase in unrealized appreciation in fair value of units	52,123
Total increases	117,404
Decreases:	
Administrative expenses	867
Fuel office expenses	10,639
Cost of fuel distributed to the poor	77,846
Total decreases	89,352
Change in net assets	28,052
Balance, December 31, 2016, at fair value	\$ 1,931,333

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 344
Investment income receivable	13,328
20,569 units of Collective Legal Investment Fund, at fair value	1,918,682
Accrued expenses	(1,021)
Balance, December 31, 2016, at fair value	\$ 1,931,333

See accompanying independent auditors' report.

HARRY BROCKLEHURST FUND

Created 1926

“To be applied for the use and benefit of former students of Girard College.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 226,782
Increases:	
Income from invested funds	3,276
Net realized gain on sale of units	6,233
Net increase in unrealized appreciation in fair value of units	4,790
Total increases	14,299
Decreases:	
Administrative expenses	104
Scholarship awards	10,700
Total decreases	10,804
Change in net assets	3,495
Balance, December 31, 2016, at fair value	\$ 230,277

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 1,321
Investment income receivable	1,567
2,439 units of Collective Legal Investment Fund, at fair value	227,511
Accrued expenses	(122)
Balance, December 31, 2016, at fair value	\$ 230,277

See accompanying independent auditors' report.

MAJOR CHARLES BROWN SCHOLARSHIP FUND

Created 1976

Income to aid and assist the further development and education of graduates of Girard College.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>417,582</u>
Increases:	
Income from invested funds	6,040
Net realized gain on sale of units	12,942
Net increase in unrealized appreciation in fair value of units	7,346
Other	450
Total increases	<u>26,778</u>
Decreases:	
Administrative expenses	191
Scholarship awards	19,700
Total decreases	<u>19,891</u>
Change in net assets	<u>6,887</u>
Balance, December 31, 2016, at fair value	\$ <u><u>424,469</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 2,043
Investment income receivable	2,891
4,500 units of Collective Legal Investment Fund, at fair value	419,761
Accrued expenses	<u>(226)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>424,469</u></u>

See accompanying independent auditors' report.

JOSEPH W. CALHOUN FUND

Created 1979

To be “used in helping the poor.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>32,405</u>
Increases:	
Income from invested funds	464
Net realized gain on sale of units	723
Net increase in unrealized appreciation in fair value of units	<u>784</u>
Total increases	<u>1,971</u>
Decreases:	
Administrative expenses	15
Fuel office expense	176
Cost of fuel distributed to the poor	<u>1,300</u>
Total decreases	<u>1,491</u>
Change in net assets	<u>480</u>
Balance, December 31, 2016, at fair value	\$ <u><u>32,885</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 122
Investment income receivable	225
349 units of Collective Legal Investment Fund, at fair value	32,555
Accrued expenses	<u>(17)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>32,885</u></u>

See accompanying independent auditors' report.

WILLIAM CARTER FUND

Created 1739

Income “to and for ye use and service of ye alms houses belonging to ye said City (Philadelphia), and for ye relief of ye poor people in the same forever.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>9,581</u>
Increases:	
Income from invested funds	135
Net realized gain on sale of units	<u>455</u>
Total increases	<u>590</u>
Decreases:	
Net decrease in unrealized appreciation in fair value of units	18
Administrative expenses	4
Fuel office expense	52
Cost of fuel distributed to the poor	<u>400</u>
Total decreases	<u>474</u>
Change in net assets	<u>116</u>
Balance, December 31, 2016, at fair value	\$ <u><u>9,697</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 215
Investment income receivable	66
101 units of Collective Legal Investment Fund, at fair value	9,421
Accrued expenses	<u>(5)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>9,697</u></u>

See accompanying independent auditors' report.

MARGARET E. CAVANAUGH FUND

Created 1926

For the purchase of delicacies for the patients in the Philadelphia Nursing Home (successor to Philadelphia General Hospital) suffering from cancer and for no other purpose.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$	<u>13,250</u>
Increases:		
Income from invested funds		190
Net realized gain on sale of units		474
Net increase in unrealized appreciation in fair value of units		<u>155</u>
Total increases		<u>819</u>
Decreases:		
Administrative expenses		6
Distribution to Philadelphia Nursing Home		<u>600</u>
Total decreases		<u>606</u>
Change in net assets		<u>213</u>
Balance, December 31, 2016, at fair value	\$	<u><u>13,463</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$	226
Investment income receivable		91
141 units of Collective Legal Investment Fund, at fair value		13,153
Accrued expenses		<u>(7)</u>
Balance, December 31, 2016, at fair value	\$	<u><u>13,463</u></u>

See accompanying independent auditors' report.

PAT AND RITA CERMELE FUND

Created 2003

Established in memory of the parents of Dominic M. Cermele, Girard College Class of 1959, to fund an annual Girard College Employee Distinguished Service Award. The first award was presented in 1999. The Fund was formally transferred to the Board of Directors of City Trusts in 2004.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>43,016</u>
Increases:	
Income from invested funds	618
Net realized gain on sale of units	740
Net increase in unrealized appreciation in fair value of units	<u>1,316</u>
Total increases	<u>2,674</u>
Decreases:	
Administrative expenses	20
Girard College Distinguished Service Award	<u>2,000</u>
Total decreases	<u>2,020</u>
Change in net assets	<u>654</u>
Balance, December 31, 2016, at fair value	\$ <u><u>43,670</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 207
Investment income receivable	297
463 units of Collective Legal Investment Fund, at fair value	43,189
Accrued expenses	<u>(23)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>43,670</u></u>

See accompanying independent auditors' report.

ANDREW R. CHAMBERS FUND

Created 1871

Income to be paid "to the various 'Soup Societies' of the City of Philadelphia every year so long as the said Societies shall continue their charities to the poor."

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>12,294</u>
Increases:	
Income from invested funds	181
Net realized gain on sale of units	492
Net increase in unrealized appreciation in fair value of units	<u>111</u>
Total increases	<u>784</u>
Decreases:	
Administrative expenses	6
St. Francis Inn	<u>600</u>
Total decreases	<u>606</u>
Change in net assets	<u>178</u>
Balance, December 31, 2016, at fair value	\$ <u><u>12,472</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 173
Investment income receivable	86
131 units of Collective Legal Investment Fund, at fair value	12,220
Accrued expenses	<u>(7)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>12,472</u></u>

See accompanying independent auditors' report.

CITY FUEL FUND

Created 1793–1809

Consists of the following five funds consolidated:

The Freemason's Fund	1793
Mr. Rickett's Donation	1793–1796
The Mayor's Court Fund	1796–1809
Elizabeth Kearpatrick Legacy	1801
John Bleakley Legacy	1802

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>43,479</u>
Increases:	
Income from invested funds	623
Net realized gain on sale of units	1,058
Net increase in unrealized appreciation in fair value of units	<u>971</u>
Total increases	<u>2,652</u>
Decreases:	
Administrative expenses	20
Fuel office expenses	237
Cost of fuel distributed to the poor	<u>1,800</u>
Total decreases	<u>2,057</u>
Change in net assets	<u>595</u>
Balance, December 31, 2016, at fair value	\$ <u><u>44,074</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 140
Investment income receivable	302
468 units of Collective Legal Investment Fund, at fair value	43,655
Accrued expenses	<u>(23)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>44,074</u></u>

See accompanying independent auditors' report.

JAMES CLAYPOOLE FUND

Created 1769

“For the Benefit and relief of the poor of the said City of Philadelphia.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>7,279</u>
Increases:	
Income from invested funds	104
Net realized gain on sale of units	230
Net increase in unrealized appreciation in fair value of units	<u>111</u>
Total increases	<u>445</u>
Decreases:	
Administrative expenses	3
Fuel office expenses	41
Cost of fuel distributed to the poor	<u>300</u>
Total decreases	<u>344</u>
Change in net assets	<u>101</u>
Balance, December 31, 2016, at fair value	\$ <u><u>7,380</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 151
Investment income receivable	50
77 units of Collective Legal Investment Fund, at fair value	7,183
Accrued expenses	<u>(4)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>7,380</u></u>

See accompanying independent auditors' report.

E. NEWBOLD COOPER MEMORIAL FUND

Created 1960

Established by the Elementary School Club of Girard College to provide an annual award to be presented to the student of the highest grade of the elementary school adjudged as having an outstanding record for the year based on scholarship, deportment, citizenship and extracurricular activities.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 10,970
Increases:	
Income from invested funds	157
Net realized gain on sale of units	288
Net increase in unrealized appreciation in fair value of units	233
Total increases	678
Decreases:	
Administrative expenses	5
Student award	500
Total decreases	505
Change in net assets	173
Balance, December 31, 2016, at fair value	\$ 11,143

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 160
Investment income receivable	75
117 units of Collective Legal Investment Fund, at fair value	10,914
Accrued expenses	(6)
Balance, December 31, 2016, at fair value	\$ 11,143

See accompanying independent auditors' report.

SOPHIE E. F. COPE FUND

Created 1974

To help provide scholarship funds to send graduates of Philadelphia High Schools to College.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>105,708</u>
Increases:	
Income from invested funds	1,529
Net realized gain on sale of units	47
Net increase in unrealized appreciation in fair value of units	<u>5,049</u>
Total increases	<u>6,625</u>
Decreases:	
Administrative expenses	48
Scholarship awards	<u>5,200</u>
Total decreases	<u>5,248</u>
Change in net assets	<u>1,377</u>
Balance, December 31, 2016, at fair value	\$ <u><u>107,085</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 161
Investment income receivable	735
1,139 units of Collective Legal Investment Fund, at fair value	106,246
Accrued expenses	<u>(57)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>107,085</u></u>

See accompanying independent auditors' report.

CHARLES HENRY AND CHARLOTTE WILKINSON DADING SCHOLARSHIP FUND

Created 1983

Income to be expended in assisting worthy graduates of Girard College by payment of their living expenses in further pursuit of advanced courses of learning at universities or colleges.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>359,272</u>
Increases:	
Income from invested funds	5,193
Net realized gain on sale of units	10,436
Net increase in unrealized appreciation in fair value of units	<u>7,014</u>
Total increases	<u>22,643</u>
Decreases:	
Administrative expenses	164
Scholarship awards	<u>17,000</u>
Total decreases	<u>17,164</u>
Change in net assets	<u>5,479</u>
Balance, December 31, 2016, at fair value	\$ <u><u>364,751</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 1,465
Investment income receivable	2,485
3,870 units of Collective Legal Investment Fund, at fair value	360,995
Accrued expenses	<u>(194)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>364,751</u></u>

See accompanying independent auditors' report.

HORACE DEAL FUND

Created 1951

Income to be distributed equally between the two awards:

George O. Frey Memorial Award:

To a member of Girard College Band who most typifies the spirit of Girard College, is proficient in their instrument, shows the greatest progress in music during the year, and is respected by the other students in the College. Prize to be awarded upon the recommendation of the President of Girard College and the Instructor of the Band.

James M. Hamilton Award:

To a member of the Junior High School who has made a consistently worthwhile contribution to the well-being of the Girard College community (this is in lieu of an award to a Battalion member, the Battalion having been discontinued).

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>8,368</u>
Increases:	
Income from invested funds	119
Net realized gain on sale of units	<u>396</u>
Total increases	<u>515</u>
Decreases:	
Net decrease in unrealized appreciation in fair value of units	1
Administrative expenses	4
Awards	<u>400</u>
Total decreases	<u>405</u>
Change in net assets	<u>110</u>
Balance, December 31, 2016, at fair value	\$ <u><u>8,478</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 216
Investment income receivable	57
88 units of Collective Legal Investment Fund, at fair value	8,209
Accrued expenses	<u>(4)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>8,478</u></u>

See accompanying independent auditors' report.

DELAWARE AVENUE FUND

Created 1831

Fund for the improvement of the Delaware front of the City, removal of wooden buildings, etc., created under the will of Stephen Girard.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 8,231,331
Increases:	
Income from invested funds	122,682
Net realized gain on sale of units	478
Net increase in unrealized appreciation in fair value of units	407,760
Total increases	530,920
Decreases:	
Administrative expenses	3,933
Distributions to:	
Historic Philadelphia, Inc.	67,000
Total decreases	70,933
Change in net assets	459,987
Balance, December 31, 2016, at fair value	\$ 8,691,318

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 1,054
Investment income receivable	59,329
92,576 units of Collective Legal Investment Fund, at fair value	8,635,517
Accrued expenses	(4,582)
Balance, December 31, 2016, at fair value (note 1)	\$ 8,691,318

Note 1: Includes Board-designated funds for future projects of \$67,000.

See accompanying independent auditors' report.

RUTH DENE AWARD FUND

Created 1931

“Income from \$500 to be presented annually at the mid-year Commencement of the Philadelphia High School for Girls, to a student of the graduating class who, in the judgment of the Principal and the Award Committee, shall have shown marked growth in character during her high school years.” By Court adjudication, award is to be made at the June Commencement, the midyear Commencement being discontinued in the public schools.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 2,941
Increases:	
Income from invested funds	41
Net realized gain on sale of units	160
Total increases	201
Decreases:	
Net decrease in unrealized appreciation in fair value of units	23
Administrative expenses	2
Student prize	100
Total decreases	125
Change in net assets	76
Balance, December 31, 2016, at fair value	\$ 3,017

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 201
Investment income receivable	20
30 units of Collective Legal Investment Fund, at fair value	2,798
Accrued expenses	(2)
Balance, December 31, 2016, at fair value	\$ 3,017

See accompanying independent auditors' report.

DIRECTORS AND OFFICERS FIDUCIARY LIABILITY FUND

Created 1977

Created by the Board of Directors of City Trusts to self-insure, for fiduciary liability risks, the directors and officers of the Board of Directors of City Trusts.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 6,853,663
Increases:	
Income from invested funds	97,524
Net realized gain on sale of units	373,122
Total increases	470,646
Decreases:	
Net decrease in unrealized appreciation in fair value of units	51,603
Administrative expenses	3,104
Insurance premiums	330,328
Litigation expenses	30,172
Total decreases	415,207
Change in net assets	55,439
Balance, December 31, 2016, at fair value	\$ 6,909,102

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 941
Investment income receivable	46,228
Prepaid expenses	19,642
73,391 units of Collective Legal Investment Fund, at fair value	6,845,934
Accrued expenses	(3,643)
Balance, December 31, 2016, at fair value	\$ 6,909,102

See accompanying independent auditors' report.

HANNAH MATILDA DODD FUND

Created 1872

Income “to procure gold and silver medals to be presented to the most distinguished graduates of the Girls High School, with their name and year of graduating engraved thereon.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>14,407</u>
Increases:	
Income from invested funds	212
Net realized gain on sale of units	476
Net increase in unrealized appreciation in fair value of units	<u>231</u>
Total increases	<u>919</u>
Decreases:	
Administrative expenses	<u>7</u>
Total decreases	<u>7</u>
Change in net assets	<u>912</u>
Balance, December 31, 2016, at fair value	\$ <u><u>15,319</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 860
Investment income receivable	102
154 units of Collective Legal Investment Fund, at fair value	14,365
Accrued expenses	<u>(8)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>15,319</u></u>

See accompanying independent auditors' report.

**MICHAEL F. DOYLE FUND
(PENN TREATY PARK)**

Created 1961

“To reconstruct and re-establish Penn Treaty Park.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>29,855</u>
Increases:	
Income from invested funds	425
Net realized gain on sale of units	1,068
Net increase in unrealized appreciation in fair value of units	<u>335</u>
Total increases	<u>1,828</u>
Decreases:	
Administrative expenses	13
Distribution to Penn Treaty Park	<u>1,400</u>
Total decreases	<u>1,413</u>
Change in net assets	<u>415</u>
Balance, December 31, 2016, at fair value	\$ <u><u>30,270</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 137
Investment income receivable	206
321 units of Collective Legal Investment Fund, at fair value	29,943
Accrued expenses	<u>(16)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>30,270</u></u>

See accompanying independent auditors' report.

JAMES DUTTON FUND

Created 1813

Income to be expended “in the purchase of Food, Clothing and Firewood Fuel.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>38,705</u>
Increases:	
Income from invested funds	552
Net realized gain on sale of units	1,136
Net increase in unrealized appreciation in fair value of units	<u>649</u>
Total increases	<u>2,337</u>
Decreases:	
Administrative expenses	17
Fuel office expenses	212
Cost of fuel distributed to the poor	<u>1,600</u>
Total decreases	<u>1,829</u>
Change in net assets	<u>508</u>
Balance, December 31, 2016, at fair value	\$ <u><u>39,213</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 161
Investment income receivable	268
416 units of Collective Legal Investment Fund, at fair value	38,805
Accrued expenses	<u>(21)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>39,213</u></u>

See accompanying independent auditors' report.

EARLY EIGHTIES PRIZE FUND

Created 1925

“The income of this fund is to be used for prizes for pupils of Girard College.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>74,816</u>
Increases:	
Income from invested funds	1,077
Net realized gain on sale of units	2,293
Net increase in unrealized appreciation in fair value of units	<u>1,285</u>
Total increases	<u>4,655</u>
Decreases:	
Administrative expenses	34
Prizes	<u>3,500</u>
Total decreases	<u>3,534</u>
Change in net assets	<u>1,121</u>
Balance, December 31, 2016, at fair value	\$ <u><u>75,937</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 183
Investment income receivable	517
807 units of Collective Legal Investment Fund, at fair value	75,277
Accrued expenses	<u>(40)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>75,937</u></u>

See accompanying independent auditors' report.

FRAN EGAN CIVIC AWARD FUND

Created 2006

Fran Egan was a long-time friend and supporter of Project H.O.M.E. who passed in 2005. This Award, given in conjunction with Fran's family, honors her memory and legacy, which was one of a deep commitment to improving our community. This Award is intended for adults or teens who intend to use their education to improve civic life in Philadelphia. The award will include a financial grant.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>52,612</u>
Increases:	
Income from invested funds	766
Net realized gain on sale of units	87
Net increase in unrealized appreciation in fair value of units	<u>2,520</u>
Total increases	<u>3,373</u>
Decreases:	
Administrative expenses	24
Awards	<u>2,200</u>
Total decreases	<u>2,224</u>
Change in net assets	<u>1,149</u>
Balance, December 31, 2016, at fair value	\$ <u><u>53,761</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 161
Investment income receivable	366
571 units of Collective Legal Investment Fund, at fair value	53,263
Accrued expenses	<u>(29)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>53,761</u></u>

See accompanying independent auditors' report.

GEORGE EMLLEN FUND

Created 1776

Income “to be laid out and distributed in wood . . . during the three Winter Months . . . to Objects included either in the City of two Suburbs of Phila . . . and if . . . a sufficient Number of such Objects Cannot Sometimes be found . . . to Buying some warm cheap Clothing to be given to such Objects as are discharged for said Bettering House and Hospital . . . ”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 49,201
Increases:	
Income from invested funds	707
Net realized gain on sale of units	1,159
Net increase in unrealized appreciation in fair value of units	1,171
Total increases	3,037
Decreases:	
Administrative expenses	22
Fuel office expenses	268
Cost of fuel distributed to the poor	2,000
Total decreases	2,290
Change in net assets	747
Balance, December 31, 2016, at fair value	\$ 49,948

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 100
Investment income receivable	342
531 units of Collective Legal Investment Fund, at fair value	49,532
Accrued expenses	(26)
Balance, December 31, 2016, at fair value	\$ 49,948

See accompanying independent auditors' report.

JOSEPH C. FERGUSON PRIZE FUND

Created 1922

“To provide cash prizes for the boy and girl in the highest class of the JOSEPH C. FERGUSON SCHOOL at 7th and Norris Streets, Phila., passing the best examinations or whose work in the last term of attendance at the school shall be most satisfactory, the certificate of the Supervising Principal to be the authority for the award of the prizes.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 4,622
Increases:	
Income from invested funds	66
Net realized gain on sale of units	12
Net increase in unrealized appreciation in fair value of units	210
Total increases	288
Decreases:	
Administrative expenses	2
Total decreases	2
Change in net assets	286
Balance, December 31, 2016, at fair value	\$ 4,908

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 401
Investment income receivable	32
48 units of Collective Legal Investment Fund, at fair value	4,477
Accrued expenses	(2)
Balance, December 31, 2016, at fair value	\$ 4,908

See accompanying independent auditors' report.

GEORGE W. FETTER SCHOLARSHIP FUND

Created 1943

To collect the income therefrom and expend it in the purchase of Scholarships in the higher institutions of learning for such poor, young students of the City of Philadelphia as may in the judgment of the Board of City Trusts be most worthy of the benefit.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 324,079
Increases:	
Income from invested funds	4,701
Net realized gain on sale of units	8,837
Net increase in unrealized appreciation in fair value of units	6,628
Total increases	20,166
Decreases:	
Administrative expenses	163
Scholarship awards	14,300
Total decreases	14,463
Change in net assets	5,703
Balance, December 31, 2016, at fair value	\$ 329,782

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 1,222
Investment income receivable	2,269
3,500 units of Collective Legal Investment Fund, at fair value	326,481
Accrued expenses	(190)
Balance, December 31, 2016, at fair value	\$ 329,782

See accompanying independent auditors' report.

RUFUS M. FETTER SCHOLARSHIP FUND

Created 1998

“A Scholarship in memory of Rufus M. Fetter to be disbursed at the discretion of the Girard College Trustees.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>128,769</u>
Increases:	
Income from invested funds	1,856
Net realized gain on sale of units	2,108
Net increase in unrealized appreciation in fair value of units	<u>4,059</u>
Total increases	<u>8,023</u>
Decreases:	
Administrative expenses	59
Scholarship awards	<u>6,100</u>
Total decreases	<u>6,159</u>
Change in net assets	<u>1,864</u>
Balance, December 31, 2016, at fair value	\$ <u><u>130,633</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 151
Investment income receivable	891
1,390 units of Collective Legal Investment Fund, at fair value	129,660
Accrued expenses	<u>(69)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>130,633</u></u>

See accompanying independent auditors' report.

DANIEL FINK PRIZE FUND

Created 1953

The income therefrom to be distributed and awarded annually as cash prizes “To Sixth and Twelfth grade students for the best performance-based project/presentation, which demonstrates the integration of technology into the curriculum.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>11,097</u>
Increases:	
Income from invested funds	160
Net realized gain on sale of units	158
Net increase in unrealized appreciation in fair value of units	<u>373</u>
Total increases	<u>691</u>
Decreases:	
Administrative expenses	5
Prizes	<u>500</u>
Total decreases	<u>505</u>
Change in net assets	<u>186</u>
Balance, December 31, 2016, at fair value	\$ <u><u>11,283</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 206
Investment income receivable	76
118 units of Collective Legal Investment Fund, at fair value	11,007
Accrued expenses	<u>(6)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>11,283</u></u>

See accompanying independent auditors' report.

DANIEL FINK SCHOLARSHIP FUND

Created 1953

“The income therefrom to be capitalized so as to form part of the principal until the amount of principal of this trust shall reach the sum of \$10,000 and thereafter the income shall be used annually to provide scholarship assistance to graduates of Girard College, as recommended by the President of Girard College, provided that first preference shall be given to worthy graduates who show superior performance in technical and related courses of study while pupils at Girard College.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 61,176
Increases:	
Income from invested funds	878
Net realized gain on sale of units	1,547
Net increase in unrealized appreciation in fair value of units	1,370
Total increases	3,795
Decreases:	
Administrative expenses	28
Scholarship awards	2,900
Total decreases	2,928
Change in net assets	867
Balance, December 31, 2016, at fair value	\$ 62,043

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 182
Investment income receivable	422
659 units of Collective Legal Investment Fund, at fair value	61,472
Accrued expenses	(33)
Balance, December 31, 2016, at fair value	\$ 62,043

See accompanying independent auditors' report.

FIRE INSURANCE FUND

Created 1892

Created from the Girard Estate Residuary fund income to carry a selected portion of the fire risks of the Girard Estate.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>3,111,168</u>
Increases:	
Income from invested funds	49,462
Net increase in unrealized appreciation in fair value of units	<u>166,107</u>
Total increases	<u>215,569</u>
Decreases:	
Administrative expenses	1,602
Net losses incurred	<u>38,377</u>
Total decreases	<u>39,979</u>
Change in net assets	<u>175,590</u>
Balance, December 31, 2016, at fair value	\$ <u><u>3,286,758</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 469
Investment income receivable	23,944
37,311 units of Collective Legal Investment Fund, at fair value	3,480,381
Accounts payable and accrued expenses	<u>(218,036)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>3,286,758</u></u>

See accompanying independent auditors' report.

PHILIP R. FREAS FUND

Created 1910

Awarded by Decree of the Orphans' Court of Philadelphia County, dated November 22, 1940, to the City of Philadelphia, acting by the Board of Directors of City Trusts, ". . . the income of which shall be annually applied to the purchase of fuel for the benefit of the poor . . . "

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 26,823
Increases:	
Income from invested funds	384
Net realized gain on sale of units	173
Net increase in unrealized appreciation in fair value of units	1,076
Total increases	1,633
Decreases:	
Administrative expenses	12
Fuel office expenses	146
Cost of fuel distributed to the poor	1,000
Total decreases	1,158
Change in net assets	475
Balance, December 31, 2016, at fair value	\$ 27,298

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 168
Investment income receivable	186
289 units of Collective Legal Investment Fund, at fair value	26,958
Accrued expenses	(14)
Balance, December 31, 2016, at fair value	\$ 27,298

See accompanying independent auditors' report.

INEZ FULTON SCHOLARSHIP FUND

Created 1945

To purchase a scholarship for a graduate of Girard College attending “any school” with a preference given first to “Thomas Jefferson University.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>864,307</u>
Increases:	
Income from invested funds	12,485
Net realized gain on sale of units	26,150
Net increase in unrealized appreciation in fair value of units	<u>15,809</u>
Total increases	<u>54,444</u>
Decreases:	
Administrative expenses	394
Scholarship awards	<u>40,800</u>
Total decreases	<u>41,194</u>
Change in net assets	<u>13,250</u>
Balance, December 31, 2016, at fair value	\$ <u><u>877,557</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 6,786
Investment income receivable	5,969
9,276 units of Collective Legal Investment Fund, at fair value	865,268
Accrued expenses	<u>(466)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>877,557</u></u>

See accompanying independent auditors' report.

GIARDELLO STATUE FUND

Created 2011

For the perpetual maintenance of a pedestal with the sculpture of Joey Giardello which the Veteran Boxers Association has been authorized by Ordinance adopted by the Philadelphia City Council to construct, own, and maintain on the traffic median created by the intersection of Passyunk Avenue, Mifflin Street, and Thirteenth Street.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 13,186
Increases:	
Income from invested funds	198
Net increase in unrealized appreciation in fair value of units	657
Total increases	855
Decreases:	
Administrative expenses	6
Total decreases	6
Change in net assets	849
Balance, December 31, 2016, at fair value	\$ 14,035

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 47
Investment income receivable	96
149 units of Collective Legal Investment Fund, at fair value	13,899
Accrued expenses	(7)
Balance, December 31, 2016, at fair value	\$ 14,035

See accompanying independent auditors' report.

EDWARD GIDEON MEMORIAL PRIZE FUND

Created 1933

“Income to be used annually as a prize to that member of the graduating class of the Philadelphia Normal School who has done the most distinguished work in the field of social science.”

In view of the Philadelphia Normal School having been abolished, the donors of the fund have requested that the income be used in the purchase of books, related to teaching, to be added to “The Edward Gideon Memorial Book Shelf” in the library for Teachers.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>8,171</u>
Increases:	
Income from invested funds	116
Net increase in unrealized appreciation in fair value of units	<u>390</u>
Total increases	<u>506</u>
Decreases:	
Net realized loss on sale of units	3
Administrative expenses	4
Distribution to The School District of Philadelphia	<u>400</u>
Total decreases	<u>407</u>
Change in net assets	<u>99</u>
Balance, December 31, 2016, at fair value	\$ <u><u>8,270</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 196
Investment income receivable	56
86 units of Collective Legal Investment Fund, at fair value	8,022
Accrued expenses	<u>(4)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>8,270</u></u>

See accompanying independent auditors' report.

STEPHEN GIRARD FUEL FUND

Created 1831

“Income to purchase fuel between the months of March and August in every year forever, and in the month of January in every year forever, distribute the same amongst poor housekeepers and roomkeepers, of good character, residing in the (old) city of Philadelphia.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>54,021</u>
Increases:	
Income from invested funds	773
Net realized gain on sale of units	1,034
Net increase in unrealized appreciation in fair value of units	<u>1,496</u>
Total increases	<u>3,303</u>
Decreases:	
Administrative expenses	25
Fuel office expenses	293
Cost of fuel distributed to the poor	<u>2,200</u>
Total decreases	<u>2,518</u>
Change in net assets	<u>785</u>
Balance, December 31, 2016, at fair value	\$ <u><u>54,806</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 78
Investment income receivable	375
583 units of Collective Legal Investment Fund, at fair value	54,382
Accrued expenses	<u>(29)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>54,806</u></u>

See accompanying independent auditors' report.

STEPHEN GIRARD SCHOOL FUND

Created 1831

“For the use of the schools upon the Lancaster System in the first section of the first school district of Pennsylvania.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>71,459</u>
Increases:	
Income from invested funds	1,027
Net realized gain on sale of units	2,297
Net increase in unrealized appreciation in fair value of units	<u>1,119</u>
Total increases	<u>4,443</u>
Decreases:	
Administrative expenses	32
Distribution to The School District of Philadelphia	<u>3,400</u>
Total decreases	<u>3,432</u>
Change in net assets	<u>1,011</u>
Balance, December 31, 2016, at fair value	\$ <u><u>72,470</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 188
Investment income receivable	494
770 units of Collective Legal Investment Fund, at fair value	71,826
Accrued expenses	<u>(38)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>72,470</u></u>

See accompanying independent auditors' report.

SHERWOOD GITHENS FUND

Created 1948

For “prizes to be awarded annually or semi-annually, in amounts determined by the President of Girard College, to the two members of the graduating class or classes, who have, in his opinion, performed outstanding work in public speaking.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>5,901</u>
Increases:	
Income from invested funds	83
Net realized gain on sale of units	<u>307</u>
Total increases	<u>390</u>
Decreases:	
Net decrease in unrealized appreciation in fair value of units	30
Administrative expenses	3
Prizes	<u>300</u>
Total decreases	<u>333</u>
Change in nets assets	<u>57</u>
Balance, December 31, 2016, at fair value	\$ <u><u>5,958</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 231
Investment income receivable	40
61 units of Collective Legal Investment Fund, at fair value	5,690
Accrued expenses	<u>(3)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>5,958</u></u>

See accompanying independent auditors' report.

JULIANA H. GOOD FUND

Created 1876

“Toward the maintenance of a House of Correction in said City (Philadelphia).”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>18,382</u>
Increases:	
Income from invested funds	271
Net realized gain on sale of units	653
Net increase in unrealized appreciation in fair value of units	<u>248</u>
Total increases	<u>1,172</u>
Decreases:	
Administrative expenses	9
Distribution to Riverview Correctional Facility Female Inmate Welfare Fund	<u>900</u>
Total decreases	<u>909</u>
Change in net assets	<u>263</u>
Balance, December 31, 2016, at fair value	\$ <u><u>18,645</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 149
Investment income receivable	130
197 units of Collective Legal Investment Fund, at fair value	18,376
Accrued expenses	<u>(10)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>18,645</u></u>

See accompanying independent auditors' report.

JOSEPH C. AND CLARE F. GOODMAN SCHOLARSHIP FUND

Created 1970

Bequeathed to Girard College for the establishment of a scholarship fund.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>24,524</u>
Increases:	
Income from invested funds	350
Net realized gain on sale of units	<u>1,353</u>
Total increases	<u>1,703</u>
Decreases:	
Net decrease in unrealized appreciation in fair value of units	174
Administrative expenses	11
Scholarship awards	<u>1,200</u>
Total decreases	<u>1,385</u>
Change in net assets	<u>318</u>
Balance, December 31, 2016, at fair value	\$ <u><u>24,842</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 809
Investment income receivable	166
256 units of Collective Legal Investment Fund, at fair value	23,880
Accrued expenses	<u>(13)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>24,842</u></u>

See accompanying independent auditors' report.

FRED GOWING MEMORIAL SCHOLARSHIP FUND

Created 1930

To provide Scholarships for graduates of Philadelphia High School for Girls.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>34,137</u>
Increases:	
Income from invested funds	509
Net realized gain on sale of units	1,500
Net increase in unrealized appreciation in fair value of units	<u>1,693</u>
Total increases	<u>3,702</u>
Decreases:	
Administrative expenses	16
Scholarship awards	<u>1,600</u>
Total decreases	<u>1,616</u>
Change in net assets	<u>2,086</u>
Balance, December 31, 2016, at fair value	\$ <u><u>36,223</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 175
Investment income receivable	247
384 units of Collective Legal Investment Fund, at fair value	35,820
Accrued expenses	<u>(19)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>36,223</u></u>

See accompanying independent auditors' report.

SIMON GRATZ PRIZE FUND

Created 1922

The income arising therefrom to be divided equally among the Philadelphia Normal School, the High School for Girls, the Central High School, the West Philadelphia High School for Girls, and the Northeast High School, for the award at each commencement of each of said schools, of a prize (in money) to that member of the graduating class of each school, who, in the judgment of the faculty of the school, has attained the highest degree of proficiency in the knowledge and correct use, oral and written, of the English language.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>32,921</u>
Increases:	
Income from invested funds	476
Net realized gain on sale of units	286
Net increase in unrealized appreciation in fair value of units	1,344
Other	<u>750</u>
Total increases	<u>2,856</u>
Decreases:	
Administrative expenses	15
Student prizes	<u>1,500</u>
Total decreases	<u>1,515</u>
Change in net assets	<u>1,341</u>
Balance, December 31, 2016, at fair value	\$ <u><u>34,262</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 25
Investment income receivable	230
363 units of Collective Legal Investment Fund, at fair value	38,525
Accrued expenses	<u>(4,518)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>34,262</u></u>

See accompanying independent auditors' report.

SIMON GRATZ TEACHERS FUND

Created 1926

“For the purpose of affording pecuniary relief in special cases of teachers and clerical assistants employed or who have been employed in the Public Schools of Philadelphia who are in need of such assistance and and cannot obtain it elsewhere.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>1,676,741</u>
Increases:	
Income from Blankenburg Pension Fund	1,200
Income from invested funds	25,035
Net realized gain on sale of units	3,446
Net increase in unrealized appreciation in fair value of units	<u>80,170</u>
Total increases	<u>109,851</u>
Decreases:	
Administrative expenses	797
Relief of teachers and clerical assistants	<u>46,359</u>
Total decreases	<u>47,156</u>
Change in net assets	<u>62,695</u>
Balance, December 31, 2016, at fair value	\$ <u><u>1,739,436</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 1,128
Investment income receivable	16,542
18,518 units of Collective Legal Investment Fund, at fair value	1,722,701
Accrued expenses	<u>(935)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>1,739,436</u></u>

See accompanying independent auditors' report.

CHARLES R. GRISSINGER FUND

Created 2016

For the purpose of providing scholarship aid to graduate students of Girard College desiring to enter the professions of Dentistry, Medicine and the Ministry with a special emphasis on Oral Surgery, Moxo-Facial Surgery and Exodontia. If there are no graduate students in such fields who qualify, the fund may be used to assist post-graduate students in any other fields of scholastic endeavor.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$	<u>—</u>
Increases:		
Initial receipt of funds		89,175
Income from invested funds		294
Net increase in unrealized appreciation in fair value of units		<u>848</u>
Total increases		<u>90,317</u>
Decreases:		
Administrative expenses		<u>11</u>
Total decreases		<u>11</u>
Change in net assets		<u>90,306</u>
Balance, December 31, 2016, at fair value	\$	<u><u>90,306</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$	288
Investment income receivable		293
962 units of Collective Legal Investment Fund, at fair value		89,736
Accrued expenses		<u>(11)</u>
Balance, December 31, 2016, at fair value	\$	<u><u>90,306</u></u>

See accompanying independent auditors' report.

THOMAS GROVER FUND

Created 1849

“Income to be distributed for fuel and food to needy persons residing in South Philadelphia with a preference given to poor persons in the district of Southwark.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 1,410,374
Increases:	
Income from invested funds	20,537
Net realized gain on sale of units	16,973
Net increase in unrealized appreciation in fair value of units	50,934
Total increases	<u>88,444</u>
Decreases:	
Administrative expenses	889
Fuel office expenses	7,666
Cost of fuel distributed to the poor	58,949
Total decreases	<u>67,504</u>
Change in net assets	<u>20,940</u>
Balance, December 31, 2016, at fair value	<u><u>\$ 1,431,314</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 3,210
Investment income receivable	9,922
15,427 units of Collective Legal Investment Fund, at fair value	1,439,035
Accrued expenses	<u>(20,853)</u>
Balance, December 31, 2016, at fair value	<u><u>\$ 1,431,314</u></u>

See accompanying independent auditors' report.

GEORGE L. AND EMILY McMICHAEL HARRISON MEMORIAL FUND

Created 1935

To extend and conduct the work of the Radiological Department of the Philadelphia Nursing Home (successor to Philadelphia General Hospital).

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>287,930</u>
Increases:	
Income from invested funds	4,150
Net realized gain on sale of units	9,696
Net increase in unrealized appreciation in fair value of units	<u>4,053</u>
Total increases	<u>17,899</u>
Decreases:	
Administrative expenses	131
Distribution to Philadelphia Department of Public Health	<u>13,600</u>
Total decreases	<u>13,731</u>
Change in net assets	<u>4,168</u>
Balance, December 31, 2016, at fair value	\$ <u><u>292,098</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 69
Investment income receivable	1,989
3,111 units of Collective Legal Investment Fund, at fair value	290,195
Accrued expenses	<u>(155)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>292,098</u></u>

See accompanying independent auditors' report.

CHEESMAN HERRICK SCHOLARSHIP FUND

Created 1980

Income to be used for the maintenance of a scholarship in any American college or university for such ambitious and diligent graduates of Girard College as the High School faculty shall recommend and deem worthy to receive the benefits of the same.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 43,400
Increases:	
Income from invested funds	625
Net realized gain on sale of units	1,416
Net increase in unrealized appreciation in fair value of units	689
Total increases	2,730
Decreases:	
Administrative expenses	20
Scholarship awards	2,100
Total decreases	2,120
Change in net assets	610
Balance, December 31, 2016, at fair value	\$ 44,010

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 171
Investment income receivable	300
467 units of Collective Legal Investment Fund, at fair value	43,562
Accrued expenses	(23)
Balance, December 31, 2016, at fair value	\$ 44,010

See accompanying independent auditors' report.

JOSEPH HEUPEL FUND

Created 1983

By bequest for the use of Girard College.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>509,939</u>
Increases:	
Income from invested funds	7,280
Net realized gain on sale of units	15,051
Net increase in unrealized appreciation in fair value of units	<u>9,195</u>
Total increases	<u>31,526</u>
Decreases:	
Administrative expenses	229
Distribution to Girard College	<u>24,100</u>
Total decreases	<u>24,329</u>
Change in net assets	<u>7,197</u>
Balance, December 31, 2016, at fair value	\$ <u><u>517,136</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 94
Investment income receivable	3,526
5,508 units of Collective Legal Investment Fund, at fair value	513,788
Accrued expenses	<u>(272)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>517,136</u></u>

See accompanying independent auditors' report.

JENNIE E. HOLLOWAY FUND

Created 1950

The income therefrom to be used by the Board for the purchase and distribution of coal to the deserving poor of the City of Philadelphia.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>99,817</u>
Increases:	
Income from invested funds	1,453
Net realized gain on sale of units	93
Net increase in unrealized appreciation in fair value of units	<u>4,755</u>
Total increases	<u>6,301</u>
Decreases:	
Administrative expenses	46
Fuel office expense	544
Cost of fuel distributed to the poor	<u>4,100</u>
Total decreases	<u>4,690</u>
Change in net assets	<u>1,611</u>
Balance, December 31, 2016, at fair value	\$ <u><u>101,428</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 44
Investment income receivable	695
1,080 units of Collective Legal Investment Fund, at fair value	100,743
Accrued expenses	<u>(54)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>101,428</u></u>

See accompanying independent auditors' report.

VIRGINIA H. HOLLOWBUSH FUND

Created 1965

For purchase of books for the Free Library of Philadelphia and its several branches.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>160,789</u>
Increases:	
Income from invested funds	2,384
Net realized gain on sale of units	4,430
Net increase in unrealized appreciation in fair value of units	<u>3,523</u>
Total increases	<u>10,337</u>
Decreases:	
Administrative expenses	76
Distribution to Free Library of Philadelphia	<u>7,600</u>
Total decreases	<u>7,676</u>
Change in net assets	<u>2,661</u>
Balance, December 31, 2016, at fair value	\$ <u><u>163,450</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 89
Investment income receivable	1,142
1,740 units of Collective Legal Investment Fund, at fair value	162,308
Accrued expenses	<u>(89)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>163,450</u></u>

See accompanying independent auditors' report.

HAROLD HOLMAN MEMORIAL FUND

Created 1972

Prize to be awarded to the junior high school student who shows outstanding achievement and interest in the field of science.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>1,049</u>
Increases:	
Income from invested funds	14
Net realized gain on sale of units	6
Net increase in unrealized appreciation in fair value of units	<u>43</u>
Total increases	<u>63</u>
Decreases:	
Administrative expenses	<u>1</u>
Total decreases	<u>1</u>
Change in net assets	<u>62</u>
Balance, December 31, 2016, at fair value	\$ <u><u>1,111</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 172
Investment income receivable	7
10 units of Collective Legal Investment Fund, at fair value	933
Accrued expenses	<u>(1)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>1,111</u></u>

See accompanying independent auditors' report.

JOHN HOUSTON FUND

Created 2015

By bequest for the use of Girard College

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 1,237,359
Increases:	
Income from invested funds	17,604
Net realized gain on sale of units	1,030
Net increase in unrealized appreciation in fair value of units	57,851
Total increases	<u>76,485</u>
Decreases:	
Administrative expenses	618
Girard College	62,800
Total decreases	<u>63,418</u>
Change in net assets	<u>13,067</u>
Balance, December 31, 2016, at fair value	<u><u>\$ 1,250,426</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 63
Investment income receivable	8,527
13,320 units of Collective Legal Investment Fund, at fair value	1,242,494
Accrued expenses	<u>(658)</u>
Balance, December 31, 2016, at fair value	<u><u>\$ 1,250,426</u></u>

See accompanying independent auditors' report.

DAVID JACOBS SCHOLARSHIP FUND

Created 1990

To provide scholarships for outstanding high school students in the serious study of music in the secondary schools of the City of Philadelphia.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>150,832</u>
Increases:	
Income from invested funds	2,247
Net realized gain on sale of units	1,655
Net increase in unrealized appreciation in fair value of units	<u>6,666</u>
Total increases	<u>10,568</u>
Decreases:	
Administrative expenses	71
Scholarship awards	<u>7,080</u>
Total decreases	<u>7,151</u>
Change in net assets	<u>3,417</u>
Balance, December 31, 2016, at fair value	\$ <u><u>154,249</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 19
Investment income receivable	1,082
1,668 units of Collective Legal Investment Fund, at fair value	155,592
Accrued expenses	<u>(2,444)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>154,249</u></u>

See accompanying independent auditors' report.

BUSHROD W. JAMES CEMETERY FUND

Created 1904

For the maintenance of the structures upon the burial lot of Bushrod W. James in Monument Cemetery, Philadelphia. By Decree of the Orphans' Court of Philadelphia County, dated January 9, 1956, the trustee was authorized and empowered to remove the remains of Bushrod Washington James, deceased, together with present memorials from Monument Cemetery to West Laurel Hill Cemetery.

By adjudication of the Orphans' Court, dated November 26, 1971, income not needed for above is to be divided equally between James Eye and Ear Institute and the Bushrod Library.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>24,197</u>
Increases:	
Income from invested funds	357
Net realized gain on sale of units	670
Net increase in unrealized appreciation in fair value of units	<u>519</u>
Total increases	<u>1,546</u>
Decreases:	
Administrative expenses	11
Distributions to:	
Free Library of Philadelphia	550
Wills Eye Health System	<u>550</u>
Total decreases	<u>1,111</u>
Change in net assets	<u>435</u>
Balance, December 31, 2016, at fair value	\$ <u><u>24,632</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 221
Investment income receivable	171
260 units of Collective Legal Investment Fund, at fair value	24,253
Accrued expenses	<u>(13)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>24,632</u></u>

See accompanying independent auditors' report.

ELLEN KINNIER FUND

Created 1922

Awarded under decree of the Orphans' Court of Philadelphia County, dated November 19, 1940, to the City of Philadelphia, acting by the Board of Directors of City Trusts, "for the relief and employment of the poor. . ."

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>4,500</u>
Increases:	
Income from invested funds	62
Net realized gain on sale of units	<u>301</u>
Total increases	<u>363</u>
Decreases:	
Net decrease in unrealized appreciation in fair value of units	106
Administrative expenses	2
Fuel office expenses	25
Cost of fuel distributed to the poor	<u>200</u>
Total decreases	<u>333</u>
Change in net assets	<u>30</u>
Balance, December 31, 2016, at fair value	\$ <u><u>4,530</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 211
Investment income receivable	30
46 units of Collective Legal Investment Fund, at fair value	4,291
Accrued expenses	<u>(2)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>4,530</u></u>

See accompanying independent auditors' report.

GEORGE KOEHL – GIRARD COLLEGE FUND

Created 1955

“For the general uses and purposes of Girard College and/or the students thereof as in their absolute discretion they (Directors of City Trusts) may from time to time determine.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>46,534</u>
Increases:	
Income from invested funds	663
Net realized gain on sale of units	1,520
Net increase in unrealized appreciation in fair value of units	<u>671</u>
Total increases	<u>2,854</u>
Decreases:	
Administrative expenses	21
Distribution to Girard College	<u>2,200</u>
Total decreases	<u>2,221</u>
Change in net assets	<u>633</u>
Balance, December 31, 2016, at fair value	\$ <u><u>47,167</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 138
Investment income receivable	321
501 units of Collective Legal Investment Fund, at fair value	46,733
Accrued expenses	<u>(25)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>47,167</u></u>

See accompanying independent auditors' report.

GEORGE KOEHL – SPENDING MONEY FUND

Created 1955

“The net income arising therefrom and as for spending money (i.e., money set apart for extra personal expenses, pocket money) to and among deserving undergraduates at Girard College, Philadelphia, who possess little or no spending money of their own, at such times and in such amount as my said Trustee or an appropriate Committee thereof may determine.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>19,359</u>
Increases:	
Income from invested funds	281
Net realized gain on sale of units	<u>1,213</u>
Total increases	<u>1,494</u>
Decreases:	
Net decrease in unrealized appreciation in fair value of units	312
Administrative expenses	9
Distribution to Girard College students	<u>900</u>
Total decreases	<u>1,221</u>
Change in net assets	<u>273</u>
Balance, December 31, 2016, at fair value	\$ <u><u>19,632</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 104
Investment income receivable	137
208 units of Collective Legal Investment Fund, at fair value	19,402
Accrued expenses	<u>(11)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>19,632</u></u>

See accompanying independent auditors' report.

HENRY J. AND WILLEMINA B. KUHN FUND

Created 1965

For the purpose of providing medical and dental care, attention, and maintenance, as well as medical and surgical appliances, to children attending the Public Schools of the City of Philadelphia, who by reason of their financial condition or the financial condition of their parents, would be unable to obtain such attention.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 1,681,931
Increases:	
Income from invested funds	24,950
Net realized gain on sale of units	3,106
Net increase in unrealized appreciation in fair value of units	81,463
Total increases	<u>109,519</u>
Decreases:	
Administrative expenses	791
Distribution to The School District of Philadelphia for medical and dental care of children	79,100
Total decreases	<u>79,891</u>
Change in net assets	<u>29,628</u>
Balance, December 31, 2016, at fair value	<u><u>\$ 1,711,559</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 35
Investment income receivable	11,956
18,230 units of Collective Legal Investment Fund, at fair value	1,700,500
Accrued expenses	(932)
Balance, December 31, 2016, at fair value	<u><u>\$ 1,711,559</u></u>

See accompanying independent auditors' report.

EDWIN G. LARE MEMORIAL FUND

Created 1965

The income is to be used to buy a picture of any other thing that will beautify or be useful for the public school at Green and New Market Streets, Philadelphia, Pennsylvania

By adjudication of the Orphans' Court, dated March 12, 1969, the Jefferson School at Fourth and George Streets (now named High School for International Affairs) was named as the beneficiary of this fund.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>6,294</u>
Increases:	
Income from invested funds	89
Net realized gain on sale of units	<u>306</u>
Total increases	<u>395</u>
Decreases:	
Net decrease in unrealized appreciation in fair value of units	8
Administrative expenses	3
Distribution to The School District of Philadelphia	<u>300</u>
Total decreases	<u>311</u>
Change in net assets	<u>84</u>
Balance, December 31, 2016, at fair value	\$ <u><u>6,378</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 182
Investment income receivable	43
66 units of Collective Legal Investment Fund, at fair value	6,156
Accrued expenses	<u>(3)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>6,378</u></u>

See accompanying independent auditors' report.

SYLVAN LEFCOE SCHOLARSHIP FUND

Created 1976

“For such graduates of Girard College as are desirous of securing, and who, in the opinion of the Board, are worthy of a higher education.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>500,651</u>
Increases:	
Income from invested funds	7,229
Net realized gain on sale of units	15,002
Net increase in unrealized appreciation in fair value of units	<u>6,607</u>
Total increases	<u>28,838</u>
Decreases:	
Administrative expenses	228
Scholarship awards	<u>24,000</u>
Total decreases	<u>24,228</u>
Change in net assets	<u>4,610</u>
Balance, December 31, 2016, at fair value	\$ <u><u>505,261</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 1,440
Investment income receivable	3,456
5,367 units of Collective Legal Investment Fund, at fair value	500,635
Accrued expenses	<u>(270)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>505,261</u></u>

See accompanying independent auditors' report.

JAMES E. LENNON FUND

Created 1922

“The income arising therefrom to be used in the purchase of text books or other scholastic equipment for such graduates of Girard College as are pursuing their studies in other institutions of learning, and who may be deemed by the Board of Directors of City Trusts as worthy of such assistance.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>8,652</u>
Increases:	
Income from invested funds	123
Net realized gain on sale of units	79
Net increase in unrealized appreciation in fair value of units	<u>332</u>
Total increases	<u>534</u>
Decreases:	
Administrative expenses	4
Scholarship awards	<u>400</u>
Total decreases	<u>404</u>
Change in net assets	<u>130</u>
Balance, December 31, 2016, at fair value	\$ <u><u>8,782</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 239
Investment income receivable	59
91 units of Collective Legal Investment Fund, at fair value	8,489
Accrued expenses	<u>(5)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>8,782</u></u>

See accompanying independent auditors' report.

S. GEORGE AND EMMY A. LEVI FUND

Created 1986

“In Trust. Nevertheless, the income therefrom to be used to defray the expenses of sending poor children to Camp William Penn (formerly called Camp Happy) and for their maintenance while at said Camp, under the supervision of the Department of Welfare of the said city. . . .”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 14,523
Increases:	
Income from invested funds	214
Net realized gain on sale of units	28
Net increase in unrealized appreciation in fair value of units	690
Total increases	932
Decreases:	
Administrative expenses	7
Total decreases	7
Change in net assets	925
Balance, December 31, 2016, at fair value	\$ 15,448

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 801
Investment income receivable	103
156 units of Collective Legal Investment Fund, at fair value	14,552
Accrued expenses	(8)
Balance, December 31, 2016, at fair value	\$ 15,448

See accompanying independent auditors' report.

JOHN E. MAYNES FUND

Created 1919

“Income shall be applied to furnishing fuel in winter to needy families.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 1,430,086
Increases:	
Income from invested funds	20,504
Net realized gain on sale of units	29,128
Net increase in unrealized appreciation in fair value of units	37,509
Total increases	87,141
Decreases:	
Administrative expenses	886
Fuel office expenses	7,783
Cost of fuel distributed to the poor	59,099
Total decreases	67,768
Change in net assets	19,373
Balance, December 31, 2016, at fair value	\$ 1,449,459

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 261
Investment income receivable	9,951
15,475 units of Collective Legal Investment Fund, at fair value	1,443,513
Accrued expenses	(4,266)
Balance, December 31, 2016, at fair value	\$ 1,449,459

See accompanying independent auditors' report.

MARY ALICE McLAUGHLIN FUND

Created 1954

“A special award is made annually to the nurse with the best record for cancer care nursing in the Philadelphia Nursing Home (successor to Philadelphia General Hospital).”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>9,450</u>
Increases:	
Income from invested funds	139
Net realized gain on sale of units	318
Net increase in unrealized appreciation in fair value of units	<u>145</u>
Total increases	<u>602</u>
Decreases:	
Administrative expenses	4
Award	<u>400</u>
Total decreases	<u>404</u>
Change in nets assets	<u>198</u>
Balance, December 31, 2016, at fair value	\$ <u><u>9,648</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 165
Investment income receivable	67
101 units of Collective Legal Investment Fund, at fair value	9,421
Accrued expenses	<u>(5)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>9,648</u></u>

See accompanying independent auditors' report.

BERNARD McMAHON FUND

Created 1816

“For the use of the poor.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>7,338</u>
Increases:	
Income from invested funds	104
Net realized gain on sale of units	317
Net increase in unrealized appreciation in fair value of units	<u>29</u>
Total increases	<u>450</u>
Decreases:	
Administrative expenses	3
Fuel office expenses	40
Cost of fuel distributed to the poor	<u>300</u>
Total decreases	<u>343</u>
Change in net assets	<u>107</u>
Balance, December 31, 2016, at fair value	\$ <u><u>7,445</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 216
Investment income receivable	50
77 units of Collective Legal Investment Fund, at fair value	7,183
Accrued expenses	<u>(4)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>7,445</u></u>

See accompanying independent auditors' report.

ALEXANDER G. MERCER “HALL FUND”

Created 1884

(By Decree of Supreme Court of Rhode Island)

“To purchase suitable lots of ground in said City of Philadelphia contiguous to each other or located in various parts of said City as shall seem most expedient, and to erect thereon substantial and comfortable buildings, and to let the same to the worthy laboring poor of said City, at rentals, sufficient to pay taxes, water rates, insurance premiums, repairs, and expenses of managing them: but if...inexpedient... Then suitable lands with the buildings already erected thereon may be purchased and adopted to the purpose aforesaid.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, primarily at fair value	\$ <u>4,375,831</u>
Increases:	
Income from invested funds	63,663
Real estate income	35,375
Net realized gain on sale of units	87
Net increase in unrealized appreciation in fair value of units	<u>211,898</u>
Total increases	<u>311,023</u>
Decreases:	
Administrative expenses	24,960
Real estate expenses	<u>30,288</u>
Total decreases	<u>55,248</u>
Change in net assets	<u>255,775</u>
Balance, December 31, 2016, primarily at fair value	\$ <u><u>4,631,606</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 577
Investment income receivable	37,408
48,128 units of Collective Legal Investment Fund, at fair value	4,489,394
Real estate, at cost	109,386
Accrued expenses	<u>(5,159)</u>
Balance, December 31, 2016, primarily at fair value	\$ <u><u>4,631,606</u></u>

See accompanying independent auditors' report.

GEORGE L. MEYER FUND

Created 1934

To give one deserving student of the Girard College one year's education in some university or college.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>40,232</u>
Increases:	
Income from invested funds	580
Net realized gain on sale of units	1,343
Net increase in unrealized appreciation in fair value of units	<u>604</u>
Total increases	<u>2,527</u>
Decreases:	
Administrative expenses	18
Scholarship award	<u>1,900</u>
Total decreases	<u>1,918</u>
Change in net assets	<u>609</u>
Balance, December 31, 2016, at fair value	\$ <u><u>40,841</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 195
Investment income receivable	278
433 units of Collective Legal Investment Fund, at fair value	40,390
Accrued expenses	<u>(22)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>40,841</u></u>

See accompanying independent auditors' report.

GERTRUDE J. MIETERER FUND

Created 1954

“ . . . any cash balance remaining unpaid . . . give to Charity of the City of Philadelphia.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>1,648</u>
Increases:	
Income from invested funds	21
Net realized gain on sale of units	<u>84</u>
Total increases	<u>105</u>
Decreases:	
Net decrease in unrealized appreciation in fair value of units	14
Administrative expenses	1
Fuel office expenses	8
Cost of fuel distributed to the poor	<u>100</u>
Total decreases	<u>123</u>
Change in net assets	<u>(18)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>1,630</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 222
Investment income receivable	10
15 units of Collective Legal Investment Fund, at fair value	1,399
Accrued expenses	<u>(1)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>1,630</u></u>

See accompanying independent auditors' report.

BOWMAN H. AND LILLIAN M. MOORE SCHOLARSHIP FUND

Created 1974

The income therefrom to be used for the assistance of a graduate of said (Girard) College who desires to continue studies in any accredited school, college, or university.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 432,056
Increases:	
Income from invested funds	6,236
Net realized gain on sale of units	13,742
Net increase in unrealized appreciation in fair value of units	7,190
Total increases	<u>27,168</u>
Decreases:	
Administrative expenses	197
Scholarship awards	21,900
Total decreases	<u>22,097</u>
Change in net assets	<u>5,071</u>
Balance, December 31, 2016, at fair value	<u>\$ 437,127</u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 1,461
Investment income receivable	2,985
4,641 units of Collective Legal Investment Fund, at fair value	432,914
Accrued expenses	(233)
Balance, December 31, 2016, at fair value	<u>\$ 437,127</u>

See accompanying independent auditors' report.

BENJAMIN W. AND ISAAC W. MORRIS FUND

Created 1806

“To the only proper use and Behoof of the Guardians of the Poor of the City of Philadelphia . . . ”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>7,069</u>
Increases:	
Income from invested funds	100
Net realized gain on sale of units	310
Net increase in unrealized appreciation in fair value of units	<u>15</u>
Total increases	<u>425</u>
Decreases:	
Administrative expenses	3
Fuel office expenses	39
Cost of fuel distributed to the poor	<u>300</u>
Total decreases	<u>342</u>
Change in net assets	<u>83</u>
Balance, December 31, 2016, at fair value	\$ <u><u>7,152</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 205
Investment income receivable	48
74 units of Collective Legal Investment Fund, at fair value	6,903
Accrued expenses	<u>(4)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>7,152</u></u>

See accompanying independent auditors' report.

SIMON MUHR SCHOLARSHIP FUND

Created 1896

“For the promotion of the welfare of children attending the Public Schools of the City of Philadelphia.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 924,334
Increases:	
Income from invested funds	13,619
Net realized gain on sale of units	828
Net increase in unrealized appreciation in fair value of units	44,126
Total increases	58,573
Decreases:	
Administrative expenses	435
Scholarship awards	40,300
Total decreases	40,735
Change in net assets	17,838
Balance, December 31, 2016, at fair value	\$ 942,172

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 440
Investment Income receivable	6,545
10,161 units of Collective Legal Investment Fund, at fair value	947,821
Accrued expenses	(12,634)
Balance, December 31, 2016, at fair value	\$ 942,172

See accompanying independent auditors' report.

JOHN NEISON FUND

Created 1944

The income to aid and assist graduates of the Girard College in obtaining a higher education after leaving Girard College and also to help students who are educated in Girard when in need.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 996,689
Increases:	
Income from invested funds	14,403
Net realized gain on sale of units	33,541
Net increase in unrealized appreciation in fair value of units	14,856
Total increases	62,800
Decreases:	
Administrative expenses	454
Scholarship awards	47,400
Total decreases	47,854
Change in net assets	14,946
Balance, December 31, 2016, at fair value	\$ 1,011,635

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 4,945
Investment Income receivable	6,890
10,724 units of Collective Legal Investment Fund, at fair value	1,000,338
Accrued expenses	(538)
Balance, December 31, 2016, at fair value	\$ 1,011,635

See accompanying independent auditors' report.

WILLIAM W. AND BETTY OMIN MEMORIAL FUND

Created 1960

“ ‘A William W. and Betty Omin Memorial Award’ shall be made once a year at each of the Philadelphia Public High Schools . . . for the best essay on the subject of ‘Brotherhood’ . . . the amount of the award shall be a maximum of One Thousand Dollars (\$1,000) and shall be awarded each year at the time of the Commencement. If there is sufficient money left over . . . or the ‘Brotherhood Awards’ become unfeasible, then the earnings shall be used for a scholarship or scholarships . . . to Drexel University based on the highest marks received by a senior student of any Philadelphia public high school . . . and the scholarship or scholarships shall be in Engineering with a preference given to Electrical Engineering.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 511,819
Increases:	
Income from invested funds	7,620
Net realized gain on sale of units	24,719
Net increase in unrealized appreciation in fair value of units	787
Total increases	33,126
Decreases:	
Administrative expenses	241
Scholarship awards	29,300
Total decreases	29,541
Change in net assets	3,585
Balance, December 31, 2016, at fair value	\$ 515,404

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 3,530
Investment income receivable	3,631
5,528 units of Collective Legal Investment Fund, at fair value	515,653
Accrued expenses	(7,410)
Balance, December 31, 2016, at fair value	\$ 515,404

See accompanying independent auditors' report.

EDWARD POWELL FUND

Created 1943

“The income from this principal sum shall be allowed to accumulate for the term of four years and at the expiration of said period shall be awarded, distributed and disposed of as follows: . . . unto any citizen of the City of Philadelphia, irrespective of sex, race, creed or color, who shall have in the judgment of a majority of said Committee by his or her individual efforts and personal application to the Manufacturing and Commercial interest of the City of Philadelphia in the previous four years, succeeded in producing the best results for the benefit and prosperity of the City of Philadelphia in that line . . . a suitable medal or decoration to be given to the person receiving the award.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$	<u>1,284,730</u>
Increases:		
Income from invested funds		19,259
Net realized gain on sale of units		756
Net increase in unrealized appreciation in fair value of units		<u>63,301</u>
Total increases		<u>83,316</u>
Decreases:		
Administrative expenses		<u>608</u>
Total decreases		<u>608</u>
Change in net assets		<u>82,708</u>
Balance, December 31, 2016, at fair value	\$	<u><u>1,367,438</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$	292
Investment income receivable		9,331
14,564 units of Collective Legal Investment Fund, at fair value		1,358,534
Accrued expenses		<u>(719)</u>
Balance, December 31, 2016, at fair value	\$	<u><u>1,367,438</u></u>

See accompanying independent auditors' report.

MURTHA P. QUINN FUND

Created 1941

“To be applied, one-half part thereof for the purchase of eyeglasses for the poor, preference being given to the children and old people, and one-half part thereof for coal for the poor.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>74,282</u>
Increases:	
Income from invested funds	1,080
Net realized gain on sale of units	2,235
Net increase in unrealized appreciation in fair value of units	<u>1,352</u>
Total increases	<u>4,667</u>
Decreases:	
Administrative expenses	34
Fuel office expenses	412
Cost of fuel distributed to the poor	2,000
Distribution to Wills Eye Health System for eyeglasses for the poor	<u>1,100</u>
Total decreases	<u>3,546</u>
Change in net assets	<u>1,121</u>
Balance, December 31, 2016, at fair value	\$ <u><u>75,403</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 112
Investment income receivable	520
802 units of Collective Legal Investment Fund, at fair value	74,811
Accrued expenses	<u>(40)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>75,403</u></u>

See accompanying independent auditors' report.

THOMAS B. K. RINGE PRIZE FUND

Created 1957

The income of the Fund is to be employed in the award of a prize to that member of each graduating class of Girard College deemed by the President of the College outstanding in scholarship and all-around achievement.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>8,457</u>
Increases:	
Income from invested funds	120
Net realized gain on sale of units	383
Net increase in unrealized appreciation in fair value of units	<u>17</u>
Total increases	<u>520</u>
Decreases:	
Administrative expenses	4
Prizes	<u>400</u>
Total decreases	<u>404</u>
Change in net assets	<u>116</u>
Balance, December 31, 2016, at fair value	\$ <u><u>8,573</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 218
Investment income receivable	57
89 units of Collective Legal Investment Fund, at fair value	8,302
Accrued expenses	<u>(4)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>8,573</u></u>

See accompanying independent auditors' report.

RITTENHOUSE SCHOOL FUND

Created 1839

Income to be applied "to advance the education of the children of the vicinity of the Old Rittenhouse Academy (Roxborough)." By decree of the court, January 11, 1958, the income is used for the Anna Lane Lingelbach School.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>33,033</u>
Increases:	
Income from invested funds	474
Net realized gain on sale of units	1,096
Net increase in unrealized appreciation in fair value of units	<u>478</u>
Total increases	<u>2,048</u>
Decreases:	
Administrative expenses	15
Distribution to The School District of Philadelphia	<u>1,600</u>
Total decreases	<u>1,615</u>
Change in net assets	<u>433</u>
Balance, December 31, 2016, at fair value	\$ <u><u>33,466</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 141
Investment income receivable	228
355 units of Collective Legal Investment Fund, at fair value	33,115
Accrued expenses	<u>(18)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>33,466</u></u>

See accompanying independent auditors' report.

ROBERTS SCHOOL FUND

Created 1763

“For a Public School for the Instruction of the Children and other Inhabitants of the said (Bristol) Township and the Northern Liberty and Oxford Township, or any Meeting the said Township shall have Occasion as the said Trustees shall think fit provided it doesn’t interfere or interrupt the said school.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>6,665</u>
Increases:	
Income from invested funds	95
Net realized gain on sale of units	279
Net increase in unrealized appreciation in fair value of units	<u>36</u>
Total increases	<u>410</u>
Decreases:	
Administrative expenses	3
Distribution to The School District of Philadelphia	<u>300</u>
Total decreases	<u>303</u>
Change in net assets	<u>107</u>
Balance, December 31, 2016, at fair value	\$ <u><u>6,772</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 201
Investment income receivable	45
70 units of Collective Legal Investment Fund, at fair value	6,530
Accrued expenses	<u>(4)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>6,772</u></u>

See accompanying independent auditors’ report.

ELMER RODENBOUGH FUND

Created 1947

“Use and apply the net income for the needs, service or benefit of any and all graduates, past, present and future, of Girard College, Philadelphia . . . Including but not restricted to the helping of any graduate at anytime within three years of graduation of Girard College, to enter or continue studies in any school, college, university or other institution of learning.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>277,961</u>
Increases:	
Income from invested funds	4,022
Net realized gain on sale of units	8,328
Net increase in unrealized appreciation in fair value of units	<u>5,189</u>
Total increases	<u>17,539</u>
Decreases:	
Administrative expenses	127
Scholarship awards	<u>13,100</u>
Total decreases	<u>13,227</u>
Change in net assets	<u>4,312</u>
Balance, December 31, 2016, at fair value	\$ <u><u>282,273</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 2
Investment income receivable	1,927
3,007 units of Collective Legal Investment Fund, at fair value	280,494
Accrued expenses	<u>(150)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>282,273</u></u>

See accompanying independent auditors' report.

GEORGE ROSS MEMORIAL FUND

Created 1988

Contributed by Mr. and Mrs. Henry R. Wimmersberger to establish a fund in memory of Mrs. Wimmersberger's father, Mr. George Ross, who attended Girard College from 1889 to 1894. The income from this fund is to be used for scholarships for graduates of Girard College.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>70,700</u>
Increases:	
Income from invested funds	1,020
Net realized gain on sale of units	1,902
Net increase in unrealized appreciation in fair value of units	<u>1,524</u>
Total increases	<u>4,446</u>
Decreases:	
Administrative expenses	32
Scholarship awards	<u>3,400</u>
Total decreases	<u>3,432</u>
Change in net assets	<u>1,014</u>
Balance, December 31, 2016, at fair value	\$ <u><u>71,714</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 183
Investment income receivable	489
762 units of Collective Legal Investment Fund, at fair value	71,080
Accrued expenses	<u>(38)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>71,714</u></u>

See accompanying independent auditors' report.

ANTONIO SAULINO FUND

Created 1957

“To pay and distribute the income now on hand or thereafter accruing to poverty stricken musicians who were members of the Philadelphia Musical Association for three years immediately prior to its dissolution.”

By Decree of the Orphans’ Court, dated March 14, 1972, distribution may be made among needy members of the Philadelphia Musical Society.

By Decree of the Orphans’ Court, dated March 23, 1978, accumulated income may be distributed to students at schools of music or vocal arts in Philadelphia.

By Decree of the Orphans’ Court, dated December 8, 2003, the limit for individual grants to needy former members of the Philadelphia Musical Association or Philadelphia Musical Society is increased to \$3,000 per individual per year. The limit for grants to needy current members of those organizations is increased to \$1,000 per individual per year. The limit for grants to needy students enrolled in music or vocal arts schools in Philadelphia is increased to \$1,000 per individual per year. The period of all grants is not to exceed two consecutive years unless approved by the court upon good cause shown.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>111,992</u>
Increases:	
Income from invested funds	1,667
Net realized gain on sale of units	644
Net increase in unrealized appreciation in fair value of units	<u>4,919</u>
Total increases	<u>7,230</u>
Decreases:	
Administrative expenses	53
Payments to needy musicians and students	<u>3,000</u>
Total decreases	<u>3,053</u>
Change in net assets	<u>4,177</u>
Balance, December 31, 2016, at fair value	\$ <u><u>116,169</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 134
Investment income receivable	803
1,236 units of Collective Legal Investment Fund, at fair value	115,294
Accrued expenses	<u>(62)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>116,169</u></u>

See accompanying independent auditors’ report.

THE SCHOLARSHIP FUND OF GIRARD COLLEGE

Created 1977

Consists of contributions from:

The Estate of Walter F. McCann	1977
Edward R. Eagleson	1982–1989
The Estate of Russell P. Morgan	1982
Friends of Ed Fritz	1984

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>103,587</u>
Increases:	
Income from invested funds	1,490
Net realized gain on sale of units	1,739
Net increase in unrealized appreciation in fair value of units	<u>3,273</u>
Total increases	<u>6,502</u>
Decreases:	
Administrative expenses	47
Scholarship awards	<u>4,900</u>
Total decreases	<u>4,947</u>
Change in net assets	<u>1,555</u>
Balance, December 31, 2016, at fair value	\$ <u><u>105,142</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 2,346
Investment income receivable	710
1,095 units of Collective Legal Investment Fund, at fair value	102,142
Accrued expenses	<u>(56)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>105,142</u></u>

See accompanying independent auditors' report.

CHRISTIAN SCHRACK FUND

Created 1917

“I give and devise all the rents, interest and income of my Estate to the Corporation of the City of Philadelphia, to be distributed by them according to the best of their judgment into the hands of the Missionary Societies of the said city for the relief of the Poor; but if there be no such society or societies at that time then the said Corporation may distribute or designate the proper means for distributing the same for the relief of the poor of the said city. But no part thereof shall be appropriated towards the Almshouse of the said City or any of its inmates.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>447,022</u>
Increases:	
Income from invested funds	6,629
Net realized gain on sale of units	12,670
Net increase in unrealized appreciation in fair value of units	<u>9,531</u>
Total increases	<u>28,830</u>
Decreases:	
Administrative expenses	210
Distribution to:	
Aid for Friends	2,370
Blind Relief Fund of Philadelphia	2,370
CORA Services, Inc.	2,370
Helping Hand Rescue Mission	2,370
Jewish Community Centers of Greater Philadelphia	2,370
Old Saint Joseph's Outreach – Carewalk Center	2,370
People's Emergency Center	2,370
Philadelphia Brotherhood Rescue Mission	2,040
Project H.O.M.E.	<u>2,370</u>
Total decreases	<u>21,210</u>
Change in net assets	<u>7,620</u>
Balance, December 31, 2016, at fair value	\$ <u><u>454,642</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 51
Investment income receivable	3,176
4,842 units of Collective Legal Investment Fund, at fair value	451,663
Accrued expenses	<u>(248)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>454,642</u></u>

See accompanying independent auditors' report.

JOHN SCOTT MEDAL FUND

Created 1816

Income “to be laid out in premiums to be distributed among ingenious men and women who make useful inventions and/or discoveries in science, medicine or engineering, such premiums to be \$10,000 for any one premium, in any one year, with any additional premium to be awarded in the discretion of the Board but such additional premium to be made in accordance with the Board’s Spending Rule as authorized under 20 Pa. C.S.A. § 8813, and . . . given a copper medal with this inscription ‘To the most deserving.’ ”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>800,483</u>
Increases:	
Income from invested funds	11,858
Net realized gain on sale of units	21,286
Net increase in unrealized appreciation in fair value of units	<u>18,309</u>
Total increases	<u>51,453</u>
Decreases:	
Administrative expenses	376
Awards	31,250
Expenses in connection with awards	<u>4,062</u>
Total decreases	<u>35,688</u>
Change in net assets	<u>15,765</u>
Balance, December 31, 2016, at fair value	\$ <u><u>816,248</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 8,718
Investment income receivable	5,675
8,630 units of Collective Legal Investment Fund, at fair value	805,009
Accrued expenses	<u>(3,154)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>816,248</u></u>

See accompanying independent auditors’ report.

WILLIAM SCOTT FUND

Created 1947

By adjudication of the Orphans' Court of Montgomery County, Pennsylvania, dated July 26, 1947, approval was given to an Agreement of Settlement, whereby the City of Philadelphia, acting by the Board of Directors of City Trusts, administering Girard College, was awarded one-half of the principal of this Trust for the use of Girard College.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>631,678</u>
Increases:	
Income from invested funds	9,016
Net realized gain on sale of units	21,655
Net increase in unrealized appreciation in fair value of units	<u>8,150</u>
Total increases	<u>38,821</u>
Decreases:	
Administrative expenses	284
Distributions to Girard College	<u>29,900</u>
Total decreases	<u>30,184</u>
Change in net assets	<u>8,637</u>
Balance, December 31, 2016, at fair value	\$ <u><u>640,315</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 207
Investment income receivable	4,367
6,819 units of Collective Legal Investment Fund, at fair value	636,078
Accrued expenses	<u>(337)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>640,315</u></u>

See accompanying independent auditors' report.

SAMUEL SCOTTEN FUND

Created 1810

“To deliver to the poor of the said City (Philadelphia) and of Southwark twelve dollars’ worth of bread annually.” By court adjudication, all of the income available may be used to purchase bread.

By court adjudication, dated June 16, 1970, income is distributed to charitable organizations engaged in the distribution of food among the poor of Philadelphia.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>3,415</u>
Increases:	
Income from invested funds	49
Net realized gain on sale of units	<u>247</u>
Total increases	<u>296</u>
Decreases:	
Net decrease in unrealized appreciation in fair value of units	87
Administrative expenses	2
Contribution to St. Francis Inn	130
Contribution to Whosoever Gospel Mission and Rescue Home of Germantown	<u>70</u>
Total decreases	<u>289</u>
Change in net assets	<u>7</u>
Balance, December 31, 2016, at fair value	\$ <u><u>3,422</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 229
Investment income receivable	23
34 units of Collective Legal Investment Fund, at fair value	3,172
Accrued expenses	<u>(2)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>3,422</u></u>

See accompanying independent auditors’ report.

HENRY SEYBERT FUND

Created 1883

Income “for the distribution of Fuel and Bread amongst the deserving poor, during the Winter months.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>62,128</u>
Increases:	
Income from invested funds	895
Net realized gain on sale of units	250
Net increase in unrealized appreciation in fair value of units	<u>2,730</u>
Total increases	<u>3,875</u>
Decreases:	
Administrative expenses	28
Fuel office expenses	338
Cost of fuel distributed to the poor	<u>2,500</u>
Total decreases	<u>2,866</u>
Change uin net assets	<u>1,009</u>
Balance, December 31, 2016, at fair value	\$ <u><u>63,137</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 146
Investment income receivable	433
671 units of Collective Legal Investment Fund, at fair value	62,591
Accrued expenses	<u>(33)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>63,137</u></u>

See accompanying independent auditors' report.

FREDERICK A. SHEAFF FUEL FUND

Created 1874

Income “to purchase fuel between the months of March and September in every year forever and in the month of February in every year forever to distribute the same among poor housekeepers and roomkeepers of good character residing in the City of Philadelphia.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 17,638
Increases:	
Income from invested funds	251
Net realized gain on sale of units	524
Net increase in unrealized appreciation in fair value of units	291
Total increases	<u>1,066</u>
Decreases:	
Administrative expenses	8
Fuel office expenses	98
Cost of fuel distributed to the poor	700
Total decreases	<u>806</u>
Change in net assets	<u>260</u>
Balance, December 31, 2016, at fair value	<u><u>\$ 17,898</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 155
Investment income receivable	122
189 units of Collective Legal Investment Fund, at fair value	17,630
Accrued expenses	(9)
Balance, December 31, 2016, at fair value	<u><u>\$ 17,898</u></u>

See accompanying independent auditors' report.

MARY SHIELDS FUEL FUND

Created 1880

To apply the interest thereof to the purchase of coal, and to distribute the same in the fall and winter months to indigent widows and widowers, single women and men, without respect to color.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>25,606</u>
Increases:	
Income from invested funds	365
Net realized gain on sale of units	562
Net increase in unrealized appreciation in fair value of units	<u>615</u>
Total increases	<u>1,542</u>
Decreases:	
Administrative expenses	12
Fuel office expenses	139
Cost of fuel distributed to the poor	<u>1,100</u>
Total decreases	<u>1,251</u>
Change in net assets	<u>291</u>
Balance, December 31, 2016, at fair value	\$ <u><u>25,897</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 175
Investment income receivable	177
274 units of Collective Legal Investment Fund, at fair value	25,559
Accrued expenses	<u>(14)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>25,897</u></u>

See accompanying independent auditors' report.

MARY SHIELDS HOSPITAL FUND

Created 1880

To relieve and make more comfortable the sick at the Philadelphia Nursing Home (successor to Philadelphia General Hospital).

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>741,987</u>
Increases:	
Income from invested funds	10,717
Net realized gain on sale of units	24,979
Net increase in unrealized appreciation in fair value of units	<u>10,549</u>
Total increases	<u>46,245</u>
Decreases:	
Administrative expenses	338
Distribution to Philadelphia Nursing Home	<u>35,100</u>
Total decreases	<u>35,438</u>
Change in net assets	<u>10,807</u>
Balance, December 31, 2016, at fair value	\$ <u><u>752,794</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 229
Investment income receivable	5,137
8,017 units of Collective Legal Investment Fund, at fair value	747,828
Accrued expenses	<u>(400)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>752,794</u></u>

See accompanying independent auditors' report.

JOSEPH SIMCOCK PRIZE FUND

Created 1941

The interest derived therefrom shall be given annually in two cash prizes to be known as The Joseph G. Simcock Prize to the two high school students of Girard College, who compose and submit or deliver orally the best essays on the recent developments in technology and industry.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>5,037</u>
Increases:	
Income from invested funds	72
Net realized gain on sale of units	226
Net increase in unrealized appreciation in fair value of units	<u>14</u>
Total increases	<u>312</u>
Decreases:	
Administrative expenses	2
Prizes	<u>200</u>
Total decreases	<u>202</u>
Change in net assets	<u>110</u>
Balance, December 31, 2016, at fair value	\$ <u><u>5,147</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 172
Investment income receivable	34
53 units of Collective Legal Investment Fund, at fair value	4,944
Accrued expenses	<u>(3)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>5,147</u></u>

See accompanying independent auditors' report.

JACOB J. SNYDER FUND

Created 1874

Income to be “expended yearly by the Directors of City Trusts as they may deem best in aid of the poor people of this City (Philadelphia).”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>66,844</u>
Increases:	
Income from invested funds	957
Net realized gain on sale of units	1,571
Net increase in unrealized appreciation in fair value of units	<u>1,532</u>
Total increases	<u>4,060</u>
Decreases:	
Administrative expenses	30
Fuel office expenses	364
Cost of fuel distributed to the poor	<u>2,700</u>
Total decreases	<u>3,094</u>
Change in net assets	<u>966</u>
Balance, December 31, 2016, at fair value	\$ <u><u>67,810</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 127
Investment income receivable	464
721 units of Collective Legal Investment Fund, at fair value	67,255
Accrued expenses	<u>(36)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>67,810</u></u>

See accompanying independent auditors' report.

SPRING GARDEN FUND

Created 1847

Income to be “applied to the purchase of food and fuel, and no other purpose and . . . distributed during the winter months of each and every year among such of the poor. . .”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 22,431
Increases:	
Income from invested funds	321
Net realized gain on sale of units	607
Net increase in unrealized appreciation in fair value of units	437
Total increases	1,365
Decreases:	
Administrative expenses	10
Fuel office expenses	122
Cost of fuel distributed to the poor	900
Total decreases	1,032
Change in net assets	333
Balance, December 31, 2016, at fair value	\$ 22,764

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 140
Investment income receivable	155
241 units of Collective Legal Investment Fund, at fair value	22,481
Accrued expenses	(12)
Balance, December 31, 2016, at fair value	\$ 22,764

See accompanying independent auditors' report.

RAYMOND R. START MEMORIAL FUND

Created 2014

For the purpose of providing scholarship aid to Girard College graduates pursuing a law degree.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>115,015</u>
Increases:	
Income from invested funds	1,702
Net increase in unrealized appreciation in fair value of units	<u>5,667</u>
Total increases	<u>7,369</u>
Decreases:	
Net realized loss on sale of units	12
Administrative expenses	55
Scholarship awards	<u>5,200</u>
Total decreases	<u>5,267</u>
Change in net assets	<u>2,102</u>
Balance, December 31, 2016, at fair value	\$ <u><u>117,117</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 105
Investment income receivable	825
1,302 units of Collective Legal Investment Fund, at fair value	121,451
Accrued expenses	<u>(5,264)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>117,117</u></u>

See accompanying independent auditors' report.

WILLIAM D. AND MARIE STEUBER FUND

Created 1957

“To distribute the net income therefrom annually at Christmas time to the poor in the City of Philadelphia according to the judgment and discretion of the said Board of City Trusts.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>73,497</u>
Increases:	
Income from invested funds	1,089
Net realized gain on sale of units	2,215
Net increase in unrealized appreciation in fair value of units	<u>1,416</u>
Total increases	<u>4,720</u>
Decreases:	
Administrative expenses	34
Distribution to:	
St. John’s Hospice	2,370
St. Francis Inn	<u>1,130</u>
Total decreases	<u>3,534</u>
Change in net assets	<u>1,186</u>
Balance, December 31, 2016, at fair value	\$ <u><u>74,683</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 137
Investment income receivable	522
794 units of Collective Legal Investment Fund, at fair value	74,065
Accrued expenses	<u>(41)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>74,683</u></u>

See accompanying independent auditors’ report.

WILLIAM D. AND MARY STEUBER FUND

Created 1947

“To distribute the net income therefrom annually at Christmas time to the poor in the City of Philadelphia according to the judgment and discretion of the said Board of City Trusts.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>56,320</u>
Increases:	
Income from invested funds	833
Net realized gain on sale of units	1,813
Net increase in unrealized appreciation in fair value of units	<u>962</u>
Total increases	<u>3,608</u>
Decreases:	
Administrative expenses	26
Distribution to:	
Sunday Breakfast Rescue Mission	2,370
Brotherhood Mission	<u>330</u>
Total decreases	<u>2,726</u>
Change in net assets	<u>882</u>
Balance, December 31, 2016, at fair value	\$ <u><u>57,202</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 213
Investment income receivable	399
607 units of Collective Legal Investment Fund, at fair value	56,621
Accrued expenses	<u>(31)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>57,202</u></u>

See accompanying independent auditors' report.

FREDERICK DEYLE STITELER PRIZE FUND

Created 1971

“To provide a prize to be awarded to a group or individual or individuals participating in the annual Mummers Parade held in Philadelphia usually on New Year’s Day, in accordance with such rules, regulations and standards as shall be established by the official judging group for the Mummers Parade.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 22,207
Increases:	
Income from invested funds	313
Net realized gain on sale of units	562
Net increase in unrealized appreciation in fair value of units	1,464
Total increases	2,339
Decreases:	
Administrative expenses	10
Prizes	1,000
Total decreases	1,010
Change in net assets	1,329
Balance, December 31, 2016, at fair value	\$ 23,536

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 261
Investment income receivable	153
237 units of Collective Legal Investment Fund, at fair value	23,134
Accrued expenses	(12)
Balance, December 31, 2016, at fair value	\$ 23,536

See accompanying independent auditors’ report.

C. HENDERSON SUPPLEE FUND

Created 1934

“To apply not more than Twenty Dollars per week to the maintenance of convalescent persons for not more than one month in any one year. Any income in any year that is not so used shall be distributed to such visiting nurse societies of Philadelphia as the Board of City Trusts shall determine, to be used by them in their work.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 1,110,022
Increases:	
Income from invested funds	15,844
Net realized gain on sale of units	39,107
Net increase in unrealized appreciation in fair value of units	13,262
Total increases	<u>68,213</u>
Decreases:	
Administrative expenses	499
Distribution to The Visiting Nurse Society of Philadelphia	52,500
Total decreases	<u>52,999</u>
Change in net assets	<u>15,214</u>
Balance, December 31, 2016, at fair value	<u>\$ 1,125,236</u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 283
Investment income receivable	7,674
11,984 units of Collective Legal Investment Fund, at fair value	1,117,871
Accrued expenses	<u>(592)</u>
Balance, December 31, 2016, at fair value	<u>\$ 1,125,236</u>

See accompanying independent auditors' report.

FRANCIS H. THOLE FUND

Created 1952

“To pay the net income of said sum or principal from time to time to the Board of Education of the City of Philadelphia to be used and applied by the said Board of Education of Philadelphia for distribution in prizes of not less than Twenty-Five Dollars each among such scholars of the Public Schools of the City of Philadelphia, under the management and control of the said Board of Education or their lawful successors, who shall in proportion to the number of cash prizes provided by said net income be entitled thereto in the opinion of the Board of Education or its duly appointed agents, for the best written essay or essays by such scholars on the Constitution of the United States of America.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 82,602
Increases:	
Income from invested funds	1,206
Net realized gain on sale of units	554
Net increase in unrealized appreciation in fair value of units	3,459
Total increases	<u>5,219</u>
Decreases:	
Administrative expenses	38
Board of Education awards	3,800
Total decreases	<u>3,838</u>
Change in net assets	<u>1,381</u>
Balance, December 31, 2016, at fair value	<u>\$ 83,983</u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 124
Investment income receivable	579
904 units of Collective Legal Investment Fund, at fair value	84,325
Accrued expenses	<u>(1,045)</u>
Balance, December 31, 2016, at fair value	<u>\$ 83,983</u>

See accompanying independent auditors' report.

ARCHIBALD THOMSON FUND

Created 1799

Income to purchase bread “for the Support of the poor of the City of Philadelphia.”

By Court adjudication, dated June 16, 1970, income is distributed to charitable organizations engaged in the distribution of food among the poor of Philadelphia.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 48,764
Increases:	
Income from invested funds	721
Net realized gain on sale of units	1,422
Net increase in unrealized appreciation in fair value of units	983
Total increases	3,126
Decreases:	
Administrative expenses	23
Contribution to St. Francis Inn	2,300
Total decreases	2,323
Change in net assets	803
Balance, December 31, 2016, at fair value	\$ 49,567

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 183
Investment income receivable	346
526 units of Collective Legal Investment Fund, at fair value	49,065
Accrued expenses	(27)
Balance, December 31, 2016, at fair value	\$ 49,567

See accompanying independent auditors' report.

LAWRENCE TODD SCHOLARSHIP FUND

Created 1921

“Income therefrom to be used for scholarships for such graduates of Girard College as are desirous of securing, and who in the opinion of the Board are worthy of a higher education.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$	<u>460,304</u>
Increases:		
Income from invested funds		6,649
Net realized gain on sale of units		15,337
Net increase in unrealized appreciation in fair value of units		<u>7,015</u>
Total increases		<u>29,001</u>
Decreases:		
Administrative expenses		210
Scholarship awards		<u>21,600</u>
Total decreases		<u>21,810</u>
Change in net assets		<u>7,191</u>
Balance, December 31, 2016, at fair value	\$	<u><u>467,495</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$	3,853
Investment income receivable		3,179
4,939 units of Collective Legal Investment Fund, at fair value		460,711
Accrued expenses		<u>(248)</u>
Balance, December 31, 2016, at fair value	\$	<u><u>467,495</u></u>

See accompanying independent auditors' report.

SELDON TWITCHELL FUND

Created 1925

“To apply the net income for the care and maintenance of Independence Hall in said city (Philadelphia).”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>60,596</u>
Increases:	
Income from invested funds	896
Net realized gain on sale of units	1,895
Net increase in unrealized appreciation in fair value of units	<u>1,094</u>
Total increases	<u>3,885</u>
Decreases:	
Administrative expenses	28
Care and maintenance of Independence Hall	<u>2,900</u>
Total decreases	<u>2,928</u>
Change in net assets	<u>957</u>
Balance, December 31, 2016, at fair value	\$ <u><u>61,553</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 151
Investment income receivable	430
654 units of Collective Legal Investment Fund, at fair value	61,005
Accrued expenses	<u>(33)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>61,553</u></u>

See accompanying independent auditors' report.

GEORGE A. VARE MEDALS FUND

Created 1910

Income “to be applied in the procuring and awarding of gold medals, one to be awarded to the student attaining the highest standing of each semi-annual graduation from the Southern Manual Training High School of the City of Philadelphia.” By court adjudication, award is to be made at the June graduation, the mid-year graduations having been discontinued in the public schools.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>5,797</u>
Increases:	
Income from invested funds	83
Net realized gain on sale of units	162
Net increase in unrealized appreciation in fair value of units	<u>117</u>
Total increases	<u>362</u>
Decreases:	
Administrative expenses	<u>3</u>
Total decreases	<u>3</u>
Change in net assets	<u>359</u>
Balance, December 31, 2016, at fair value	\$ <u><u>6,156</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 522
Investment income receivable	40
60 units of Collective Legal Investment Fund, at fair value	5,597
Accrued expenses	<u>(3)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>6,156</u></u>

See accompanying independent auditors' report.

LOUIS WAGNER PRIZE FUND

Created 1914

“I give and bequeath unto the City of Philadelphia, Board of Directors of City Trusts, the sum of \$2,000 in trust that the same shall be kept invested by the said Board and the interest or income derived therefrom be used each year in the purchase of a gold watch, the same to be suitably engraved and known as the ‘Wagner Prize,’ which shall be presented to the person graduating with the highest honors in the graduating class during each year at Girard College.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>14,418</u>
Increases:	
Income from invested funds	206
Net realized gain on sale of units	<u>697</u>
Total increases	<u>903</u>
Decreases:	
Net decrease in unrealized appreciation in fair value of units	15
Administrative expenses	7
Prize	<u>527</u>
Total decreases	<u>549</u>
Change in net assets	<u>354</u>
Balance, December 31, 2016, at fair value	\$ <u><u>14,772</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 409
Investment income receivable	99
153 units of Collective Legal Investment Fund, at fair value	14,272
Accrued expenses	<u>(8)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>14,772</u></u>

See accompanying independent auditors' report.

ELIZABETH F. WARDER FUND

Created 1953

By adjudication, dated April 2, 1953, the Orphans' Court of Philadelphia County awarded one-third of the estate to the Board of Directors of City Trusts with the following direction:

"... to expend the Fund, principal and income to and among such former members of the Fire Department as were disabled in the line of duty and are now receiving pension. The Board of City Trusts shall accept from year to year the designation of the eligible individuals by the commissioner of Fire. The amount to be distributed until the Fund is exhausted shall be at the rate of 10% of the pension payable to each recipient annually. Final payment shall be made pro rata among those eligible to receive the funds in the year when the same shall be exhausted."

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>61,965</u>
Increases:	
Income from invested funds	884
Net realized gain on sale of units	2,246
Net increase in unrealized appreciation in fair value of units	<u>676</u>
Total increases	<u>3,806</u>
Decreases:	
Administrative expenses	28
Distributions to disabled firemen	<u>2,900</u>
Total decreases	<u>2,928</u>
Change in net assets	<u>878</u>
Balance, December 31, 2016, at fair value	\$ <u><u>62,843</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 137
Investment income receivable	428
668 units of Collective Legal Investment Fund, at fair value	62,311
Accrued expenses	<u>(33)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>62,843</u></u>

See accompanying independent auditors' report.

ESTHER WATERS FUND

Created 1833

Income to be used to “give, distribute and deliver such Firewood or other Fuel to and amongst such of the poor of the City of Philadelphia as shall be found upon careful inquiry to be most deserving of such aid.”

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 68,123
Increases:	
Income from invested funds	976
Net realized gain on sale of units	1,499
Net increase in unrealized appreciation in fair value of units	1,681
Total increases	4,156
Decreases:	
Administrative expenses	31
Fuel office expenses	371
Cost of fuel distributed to the poor	2,800
Total decreases	3,202
Change in net assets	954
Balance, December 31, 2016, at fair value	\$ 69,077

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 78
Investment income receivable	474
735 units of Collective Legal Investment Fund, at fair value	68,561
Accrued expenses	(36)
Balance, December 31, 2016, at fair value	\$ 69,077

See accompanying independent auditors' report.

OBADIAH WHEELLOCK FUND

Created 1887

Income “to be awarded . . . to a Meritorious Scholar of the Girls Normal School of the City of Philadelphia.”

In view of the Normal School having been abolished and upon recommendation of the Board of Public Education, the income is to be paid to the Pedagogical Library of the Board of Public Education for the purchase of books in memory of Obadiah Wheelock.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>4,196</u>
Increases:	
Income from invested funds	59
Net realized gain on sale of units	<u>237</u>
Total increases	<u>296</u>
Decreases:	
Net decrease in unrealized appreciation in fair value of units	43
Administrative expenses	2
Distribution to The School District of Philadelphia	<u>200</u>
Total decreases	<u>245</u>
Change in net assets	<u>51</u>
Balance, December 31, 2016, at fair value	\$ <u><u>4,247</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 210
Investment income receivable	28
43 units of Collective Legal Investment Fund, at fair value	4,011
Accrued expenses	<u>(2)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>4,247</u></u>

See accompanying independent auditors' report.

J. WILLIAM WHITE FUND

Created 1925

Income may be used to purchase artificial limbs, braces, orthopedic shoes and any and all like devices for former patients of Philadelphia Nursing Home (successor to Philadelphia General Hospital) so that they become self-reliant and avoid being readmitted to Philadelphia Nursing Home or other like institutions.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>120,401</u>
Increases:	
Income from invested funds	1,738
Net realized gain on sale of units	3,128
Net increase in unrealized appreciation in fair value of units	<u>2,631</u>
Total increases	<u>7,497</u>
Decreases:	
Administrative expenses	55
Distribution to Philadelphia Nursing Home	<u>5,700</u>
Total decreases	<u>5,755</u>
Change in net assets	<u>1,742</u>
Balance, December 31, 2016, at fair value	\$ <u><u>122,143</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 111
Investment income receivable	833
1,300 units of Collective Legal Investment Fund, at fair value	121,264
Accrued expenses	<u>(65)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>122,143</u></u>

See accompanying independent auditors' report.

JAMES WINDRIM SCHOLARSHIP FUND

Created 1921

The income is to be used to assist graduates of Girard College who desire to continue studies in school, college or university who are considered deserving of such opportunity by the Board.

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ <u>38,614</u>
Increases:	
Income from invested funds	557
Net realized gain on sale of units	1,266
Net increase in unrealized appreciation in fair value of units	<u>606</u>
Total increases	<u>2,429</u>
Decreases:	
Administrative expenses	18
Scholarship awards	<u>1,800</u>
Total decreases	<u>1,818</u>
Change in net assets	<u>611</u>
Balance, December 31, 2016, at fair value	\$ <u><u>39,225</u></u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 174
Investment income receivable	267
416 units of Collective Legal Investment Fund, at fair value	38,805
Accrued expenses	<u>(21)</u>
Balance, December 31, 2016, at fair value	\$ <u><u>39,225</u></u>

See accompanying independent auditors' report.

JOSEPH WRIGHT FUND

Created 1947

By Decree of the Court of Common Pleas of Philadelphia county, dated June 26, 1946, Wright's Industrial and Beneficial Institute of Frankford was dissolved and the assets of the corporation were awarded to the City of Philadelphia, acting by the Board of Directors of City Trusts, in trust, one-third of the income therefrom to be paid over to the Trustees of the Free Library of Philadelphia for the exclusive benefit of the Frankford Branch, and the balance of said income to be used for the poor as near as may be in keeping with the purposes specified in the Will of Joseph Wright, deceased (those living within a circuit of one mile from the corner of Main and Sellers Streets, in Frankford).

Schedule of Changes in Net Assets

Year ended December 31, 2016

Balance, January 1, 2016, at fair value	\$ 106,383
Increases:	
Income from invested funds	1,532
Net realized gain on sale of units	4,251
Net increase in unrealized appreciation in fair value of units	751
Total increases	<u>6,534</u>
Decreases:	
Administrative expenses	48
Fuel office expenses	586
Cost of fuel distributed to the poor	3,300
Distributions to the trustees of the Free Library of Philadelphia	1,100
Total decreases	<u>5,034</u>
Change in net assets	<u>1,500</u>
Balance, December 31, 2016, at fair value	<u>\$ 107,883</u>

Schedule of Net Assets

December 31, 2016

Cash and cash equivalents	\$ 1,141
Investment income receivable	739
1,137 units of Collective Legal Investment Fund, at fair value	106,060
Accrued expenses	(57)
Balance, December 31, 2016, at fair value	<u>\$ 107,883</u>

See accompanying independent auditors' report.



**BOARD OF DIRECTORS OF CITY TRUSTS
CONTRIBUTORY RETIREMENT PLAN**

Financial Statements – FASB Basis

December 31, 2016

(With Independent Auditors' Report Thereon)

**BOARD OF DIRECTORS OF CITY TRUSTS
CONTRIBUTORY RETIREMENT PLAN**

Table of Contents

	Page
Independent Auditors' Report	IV-1
Statement of Net Assets Available for Plan Benefits – FASB Basis, December 31, 2016	IV-3
Statement of Changes in Net Assets Available for Plan Benefits – FASB Basis, Year ended December 31, 2016	IV-4
Statement of Accumulated Plan Benefits – FASB Basis, December 31, 2016	IV-5
Statement of Changes in Accumulated Plan Benefits – FASB Basis, Year ended December 31, 2016	IV-6
Notes to Financial Statements – FASB Basis	IV-7



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Directors of City Trusts
Philadelphia, Pennsylvania:

We have audited the accompanying financial statements of the Board of Directors of City Trusts Contributory Retirement Plan (the Plan), which comprise the statements of net assets available for plan benefits – Financial Accounting Standards Board (FASB) basis and of accumulated plan benefits – FASB basis as of December 31, 2016, and the related statements of changes in net assets available for plan benefits – FASB basis and of changes in accumulated plan benefits – FASB basis for the year then ended, and the related notes to the financial statements – FASB basis.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the FASB basis of accounting described in note 2(a); 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the financial status of the Plan as of December 31, 2016, and the changes in its financial status for the year then ended, in accordance with the FASB basis of accounting described in note 2(a) to the financial statements – FASB basis.



Basis of Accounting

We draw your attention to note 2(a), which describes the basis of accounting. The financial statements are prepared in accordance with the standards promulgated by FASB, which is a basis of accounting other than U.S. generally accepted accounting principles for governmental entities, which are promulgated by the Governmental Accounting Standards Board. Our opinion is not modified with respect to this matter.

KPMG LLP

Philadelphia, Pennsylvania
June 30, 2017

**BOARD OF DIRECTORS OF CITY TRUSTS
CONTRIBUTORY RETIREMENT PLAN**

Statement of Net Assets Available for Plan Benefits – FASB Basis

December 31, 2016

Assets:

Investment, 60,079 units of Collective Legal Investment Fund, at fair value	\$ 5,604,187
Cash and cash equivalents	38,262
Investment income receivable	38,483
	<hr/>
Total assets	5,680,932
	<hr/>

Liabilities:

Accrued expenses	16,538
	<hr/>
Total liabilities	16,538
	<hr/>
Net assets available for plan benefits	\$ 5,664,394
	<hr/> <hr/>

See accompanying notes to financial statements.

**BOARD OF DIRECTORS OF CITY TRUSTS
CONTRIBUTORY RETIREMENT PLAN**

Statement of Changes in Net Assets Available for Plan Benefits – FASB Basis

Year ended December 31, 2016

Additions to net assets:	
Investment income, net	\$ 79,614
Realized and unrealized investment gains	265,312
Employee contributions	36,306
Employer contributions	237,720
Total additions	<u>618,952</u>
Deductions from net assets:	
Retirement benefits paid	344,077
Administrative expenses	48,851
Total deductions	<u>392,928</u>
Net increase in net assets available for plan benefits	226,024
Net assets available for plan benefits, beginning of year	<u>5,438,370</u>
Net assets available for plan benefits, end of year	<u><u>\$ 5,664,394</u></u>

See accompanying notes to financial statements.

**BOARD OF DIRECTORS OF CITY TRUSTS
CONTRIBUTORY RETIREMENT PLAN**

Statement of Accumulated Plan Benefits – FASB Basis

December 31, 2016

Actuarial present value of accumulated plan benefits:

Vested benefits:

Participants currently receiving benefits

\$ 3,278,396

Other participants

1,057,052

Total vested benefits

4,335,448

Nonvested benefits

8,915

Total actuarial present value of accumulated plan benefits

\$ 4,344,363

See accompanying notes to financial statements.

**BOARD OF DIRECTORS OF CITY TRUSTS
CONTRIBUTORY RETIREMENT PLAN**

Statement of Changes in Accumulated Plan Benefits – FASB Basis

Year ended December 31, 2016

Actuarial present value of accumulated plan benefits, beginning of year	\$ 4,227,978
Increase (decrease) during the year attributable to:	
Retirement benefits paid	(344,077)
Additional benefit accumulations	84,358
Expected interest due to passage of time	319,762
Net actuarial losses	<u>56,342</u>
Net increase	<u>116,385</u>
Actuarial present value of accumulated plan benefits, end of year	<u><u>\$ 4,344,363</u></u>

See accompanying notes to financial statements.

**BOARD OF DIRECTORS OF CITY TRUSTS
CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

(1) Description of Plan

(a) General

The Board of Directors of City Trusts Contributory Retirement Plan (the Plan) is a defined benefit plan for certain employees of the Board of Directors of City Trusts acting for the City of Philadelphia, Trustee (the Board). The Plan is available to certain union employees who elect coverage, who have completed one year of service regardless of age, and whose union contract does not provide benefits under either a union pension plan or the Board's noncontributory plans. All administrative expenses are paid out of plan assets. Participants should refer to the plan document for more complete information.

(b) Funding Policy

The Board contributes amounts as are necessary to provide the Plan with sufficient assets to meet the benefits to be paid to plan members, based upon amounts recommended by the Plan's actuary. Such amounts are determined in accordance with the Projected Unit Credit Actuarial Cost Method. Employees contribute amounts based on salary terms, as defined in the plan agreement.

The Plan's net assets available for plan benefits exceeded the total actuarial present value of accumulated plan benefits as of December 31, 2016.

(c) Benefits

Plan participants who have attained age 65 are entitled to receive retirement benefits payable during their lifetime on the first day of each month following their retirement or termination of employment. Early retirement and survivor benefits are also available to participants.

Benefits are based on cumulative employee contributions required by the Plan determined on career salary levels. Benefits payable upon early retirement are computed in the same manner as normal retirement benefits; however, early retirement benefits are discounted by an early retirement factor.

(d) Vesting

A participant becomes 100% vested in their accrued benefits upon completion of five years of credited service.

Upon termination of employment, vested participants are entitled to plan benefits computed in the same manner as normal retirement benefits.

(e) Plan Termination

The Board has the right to terminate the Plan. Upon plan termination, all funds shall be used to pay participants their retirement income accrued, to the extent funded, as of the date of termination of the Plan. Information regarding vesting benefits provisions and the priority order of the participants' claims upon plan termination may be found in plan document.

**BOARD OF DIRECTORS OF CITY TRUSTS
CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

(2) Significant Accounting Policies

(a) Basis of Accounting

The Plan is considered part of a governmental instrumentality and is therefore subject to U.S. generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). However, the Board has chosen to prepare the financial statements and notes thereto following the accounting standards promulgated by the Financial Accounting Standards Board (FASB) applicable to employee benefit plans because it believes that FASB standards better reflect the entity's purposes and operations.

If the Plan's financial statements were prepared in accordance with GASB standards rather than FASB standards, the following differences would exist:

- Management's discussion and analysis would be required supplementary information.
- The Plan's net pension liability, measured as the total pension liability less the Plan's fiduciary net position, would be presented as required supplementary information rather than in the financial statements. The actuarial present value of projected benefit payments would be required to be attributed using the entry-age actuarial cost method with each period's service cost determined as a level percentage of pay. Projected benefit payments would be discounted using the single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to be invested using a strategy to achieve that return and (2) a tax-exempt, high-quality municipal bond rate to the extent the conditions to use the long-term expected rate of return are not met.
- Additional disclosures would be provided regarding:
 - interest rate risk, credit risk, custodial credit risk and concentrations of credit risk related to the Plan's investments and the Plan's policies for managing such risks; and
 - a description of the risks of loss to which the entity is exposed and the ways in which the risks of loss are managed.

(b) Valuation of Investments

Investments are reported at fair value. See note 2(e) for a discussion of fair value measurements.

Realized gains and losses from the sales of investments, determined on the last-in, first-out method, as well as the change in the difference between aggregate market value and the cost of the investment from the beginning to the end of the year are reflected in the statement of changes in net assets available for plan benefits as realized and unrealized investment gains or losses.

(c) Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those estimated future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to services rendered by eligible employees to the valuation date. Accumulated plan benefits include benefits expected to be paid to

**BOARD OF DIRECTORS OF CITY TRUSTS
CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

(a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died and (c) present employees or their beneficiaries. Benefits for active, retired or terminated employees or their beneficiaries are based on cumulative employee contributions required by the Plan determined on career salary levels. Benefits payable under all circumstances—retirement, death, and termination of employment—are included to the extent they are deemed attributable to employee service rendered to the valuation date.

(d) Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described in note 2(a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates and assumptions.

(e) Fair Value

Three levels of inputs may be used to measure fair value as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities, and corporate-debt securities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include 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.

At December 31, 2016, all of the Plan’s investments are held in the Collective Legal Investment Fund (CLIF). The CLIF was created by the Board to pool for investment management purposes the collective assets of the trusts it manages on behalf of the City of Philadelphia, including certain assets of the Girard Estate, Wills Eye Hospital, the three retirement plans of the Board, and the 117 smaller trusts collectively referred to as the “Sundry Trusts.” Such investments are stated at fair value. Within the CLIF, the Plan owns shares that invest in the following types of securities:

Equity Securities

Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, they are categorized in Level 1 of the fair value hierarchy.

**BOARD OF DIRECTORS OF CITY TRUSTS
CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

Debt Securities

U.S. government and other debt securities are valued at the closing price reported in the active market in which the security is traded, if available, and categorized in Level 1 of the fair value hierarchy. If such information is not available, debt is valued based on yields currently available on comparable securities for issuers with similar credit ratings, and characterized in Level 2 of the fair value hierarchy.

Listed asset-backed securities are valued based on quoted market prices from the active market in which the instrument is principally traded and are categorized in Level 1 of the fair value hierarchy. If such quoted prices are not available, the fair value of the security is estimated based on models considering the estimated cash flows and expected yield. Such investments are categorized as Level 2 or Level 3 based on the extent inputs are observable and timely.

Private Equity Funds

Net asset values provided by limited partnership investees are based on estimates, appraisals, assumptions, and methods that are reviewed by CLIF management. The CLIF estimates the fair value of its private equity investments using the net asset value per share as reported by the investee as a practical expedient. Net asset value may differ from fair value as otherwise calculated in accordance with the basis of accounting described in note 2(a).

(3) Actuarial Assumptions

The significant methods and assumptions underlying the actuarial valuation by the consulting actuary as of December 31, 2016 were as follows:

Discount rate	7.75% per annum, compounded annually
Investment return	7.75% per annum, compounded annually, net of administrative expenses
Mortality basis	RP-2014 Mortality Table, using projection scale MP-2016
Turnover	Varying – none after age 50
Retirement age	The later of age 65, or after five years of service, or on the valuation date if already older

(4) Investment in Collective Legal Investment Fund

The CLIF is a balanced portfolio comprised primarily of equity, fixed income, and short-term investment securities. It is intended to be more aggressive than income-oriented portfolios and less aggressive than equity-oriented portfolios. These asset classes must have a readily ascertainable market value and must be readily marketable. As of December 31, 2016, less than 2% of the CLIF assets were invested in private equity investment funds, which are not classified in the fair value hierarchy because they are recorded at net asset value per share as a practical expedient to fair value.

The equity portfolio is diversified to avoid undue exposure to any single economic sector, industry group, or individual security.

**BOARD OF DIRECTORS OF CITY TRUSTS
CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

Risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investment vehicles. While high levels of risk are normally avoided, the assumption of risk is warranted and encouraged in order to allow the opportunity to achieve satisfactory long-term results consistent with objectives and fiduciary character of the CLIF. The volatility of returns is monitored and evaluated on a continuing basis.

At December 31, 2016, the Plan owned 60,079 units (approximately 1.2% of total units) in the CLIF. The total net assets of the CLIF, including investments, as of December 31, 2016 are as follows (in thousands):

Assets:	
Investments, at fair value:	
Short-term investments	\$ 13,771
Equities:	
Common stocks	215,025
Exchange traded funds	50,999
International equity mutual funds	28,806
Fixed income:	
United States government and agency obligations	34,223
Corporate and other bonds	85,778
Asset-backed securities	1,044
Mortgage-backed securities	862
Mutual funds	25,070
Global tactical asset allocation mutual funds	23,323
Private equity	8,401
Total investments	487,302
Cash and cash equivalents	1,927
Investment income receivable	1,791
Other receivables	313
Total assets	491,333
Liabilities:	
Accrued expenses	1,020
Due to participating trusts	2,010
Total liabilities	3,030
Net assets	\$ 488,303
Plan interest in CLIF net assets	\$ 5,604

**BOARD OF DIRECTORS OF CITY TRUSTS
CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

The following table presents the CLIF’s fair value hierarchy for assets held in the CLIF measured at fair value on a recurring basis as of December 31, 2016 (in thousands):

	Fair value measurements at December 31, 2016 using		
	Fair value	Level 1	Level 2
Short-term investments	\$ 13,771	13,771	—
Marketable equity securities:			
U.S. common stocks:			
Industrials	29,601	29,601	—
Consumer discretionary	32,358	32,358	—
Consumer staples	14,937	14,937	—
Energy	13,769	13,769	—
Financial	37,052	37,052	—
Materials	7,383	7,383	—
Information technology	43,864	43,864	—
Utilities	2,745	2,745	—
Healthcare	23,761	23,761	—
Telecommunications and other	9,555	9,555	—
Total U.S. common stocks	<u>215,025</u>	<u>215,025</u>	<u>—</u>
Exchange traded funds:			
S&P 500 Index SPDR	27,248	27,248	—
Select Sector SPDRs	23,751	23,751	—
Total exchange traded funds	<u>50,999</u>	<u>50,999</u>	<u>—</u>
International equity mutual funds	<u>28,806</u>	<u>28,806</u>	<u>—</u>
Total equity securities	<u>294,830</u>	<u>294,830</u>	<u>—</u>

**BOARD OF DIRECTORS OF CITY TRUSTS
CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

	Fair value measurements at December 31, 2016 using		
	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Fixed income:			
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	\$ 33,686	33,526	160
Debt securities issued by states of the United States and political subdivisions of the states	537	—	537
Debt securities issued by foreign governments	65	—	65
Corporate debt securities	85,713	—	85,713
Asset-backed securities	1,044	—	1,044
Residential mortgage-backed securities	461	—	461
Commercial mortgage-backed securities	401	—	401
Mutual Funds	25,070	25,070	—
Total fixed income	<u>146,977</u>	<u>58,596</u>	<u>88,381</u>
Global tactical asset allocation mutual funds	<u>23,323</u>	<u>23,323</u>	
Subtotal	<u>478,901</u>	<u>390,520</u>	<u>88,381</u>
Private equity funds reported at net asset value per share as a practical expedient	<u>8,401</u>		
	<u>\$ 487,302</u>		

Private equity funds, which are measured at net asset value as a practical expedient to fair value, have not been categorized in the fair value hierarchy table. The fair value amounts presented in the table for those investments are intended to permit reconciliation of the fair value hierarchy table to the investment amounts reported in the financial statements.

The CLIF participates in a securities lending program as a means to generate incremental income. Through this program, the CLIF may lend its securities to qualified borrowers, through its lending agent, that meet certain guidelines established by the Board. All borrowings are initially secured by collateral in an amount equal to at least 102% of the fair value of the securities loaned and are marked to market daily. Each business day, the amount of collateral is adjusted based on the prior day's closing fair value. The collateral is invested in cash and cash equivalents. Income from lending activity is determined by the amount of interest earned on the invested collateral, a portion of which is allocated to the lending agent. The CLIF is also entitled to receive interest and dividends from securities on loan. As of December 31, 2016, the CLIF had loaned out certain securities, returnable on demand, with a market value of \$165,545,000 to several financial institutions that have deposited collateral with respect to such securities of \$169,509,000.

**BOARD OF DIRECTORS OF CITY TRUSTS
CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

Net investment income of the CLIF for the year ended December 31, 2016 is as follows (in thousands):

Investment income:	
Interest income	\$ 5,541
Dividend income	6,185
Net income from securities lending	455
Other income	<u>307</u>
Total investment income	12,488
Expenses:	
Investment fees and other expenses	<u>4,164</u>
Net investment income	<u><u>\$ 8,324</u></u>

Net realized and unrealized gains on investments of the CLIF for the year ended December 31, 2016 are as follows (in thousands):

Net realized and unrealized gain on investments:	
Net realized gain from investment transactions	\$ 6,685
Net change in unrealized appreciation investments	<u>16,041</u>
Net appreciation in fair value of investments	<u><u>\$ 22,726</u></u>

The CLIF held \$1,927,000 as cash and cash equivalents at December 31, 2016.

(5) Tax Status

The City of Philadelphia, Trustee, acting by the Board of Directors of City Trusts, statutory agent for the City of Philadelphia, has been determined to be an agency of the Commonwealth of Pennsylvania. Therefore, the Plan is currently operated as a tax qualified governmental retirement plan under the Internal Revenue Code (IRC). The Board of Directors of City Trusts believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if it is more likely than not that the position would not be sustained upon evaluation by the IRS. Management has considered and assessed the impact of uncertain tax positions on the Plan's financial statements in accordance with Accounting Standards Codification Topic 740, *Income Taxes*, and has concluded that no provision for income taxes is required as of December 31, 2016.

**BOARD OF DIRECTORS OF CITY TRUSTS
CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

(6) Risks and Uncertainties

The Plan invests in units of the CLIF. Investment securities are exposed 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 value of the plan's interest in the CLIF will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for plan benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

(7) Subsequent Events

Plan management has evaluated subsequent events through June 30, 2017, which is the date the financial statements were available to be issued, and noted no matters requiring disclosure.



**BOARD OF DIRECTORS OF CITY TRUSTS
GIRARD NON-CONTRIBUTORY RETIREMENT PLAN**

Financial Statements – FASB Basis

December 31, 2016

(With Independent Auditors' Report Thereon)

**BOARD OF DIRECTORS OF CITY TRUSTS
GIRARD NON-CONTRIBUTORY RETIREMENT PLAN**

Table of Contents

	Page
Independent Auditors' Report	V-1
Statement of Net Assets Available for Plan Benefits – FASB Basis, December 31, 2016	V-3
Statement of Changes in Net Assets Available for Plan Benefits – FASB Basis, Year ended December 31, 2016	V-4
Statement of Accumulated Plan Benefits – FASB Basis, December 31, 2016	V-5
Statement of Changes in Accumulated Plan Benefits – FASB Basis, Year ended December 31, 2016	V-6
Notes to Financial Statements – FASB Basis	V-7



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Directors of City Trusts
Philadelphia, Pennsylvania:

We have audited the accompanying financial statements of the Board of Directors of City Trusts Girard Non-Contributory Retirement Plan (the Plan), which comprise the statements of net assets available for plan benefits – Financial Accounting Standards Board (FASB) basis and of accumulated plan benefits – FASB basis as of December 31, 2016, and the related statements of changes in net assets available for plan benefits – FASB basis and of changes in accumulated plan benefits – FASB basis 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 the FASB basis of accounting described in note 2(a) 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the financial status of the Plan as of as of December 31, 2016 and the changes in its financial status for the year then ended, in accordance with the FASB basis of accounting described in note 2(a).



Basis of Accounting

We draw your attention to note 2(a) of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the standards promulgated by the FASB, which is a basis of accounting other than U.S. generally accepted accounting principles for governmental entities, which are promulgated by the Governmental Accounting Standards Board. Our opinion is not modified with respect to this matter.

KPMG LLP

Philadelphia, Pennsylvania
June 30, 2017

BOARD OF DIRECTORS OF CITY TRUSTS
GIRARD NON-CONTRIBUTORY RETIREMENT PLAN

Statement of Net Assets Available for Plan Benefits – FASB Basis

December 31, 2016

Assets:

Investment, 352,713 units of Collective Legal Investment Fund, at fair value	\$ 32,901,174
Cash and cash equivalents	250,406
Investment income receivable	<u>226,008</u>
Total assets	<u>33,377,588</u>

Liabilities:

Accrued expenses	<u>16,277</u>
Total liabilities	<u>16,277</u>
Net assets available for plan benefits	<u>\$ 33,361,311</u>

See accompanying notes to financial statements.

BOARD OF DIRECTORS OF CITY TRUSTS
GIRARD NON-CONTRIBUTORY RETIREMENT PLAN

Statement of Changes in Net Assets Available for Plan Benefits – FASB Basis

Year ended December 31, 2016

Additions to net assets:	
Investment income, net	\$ 463,422
Unrealized investment gains	1,554,261
Employer contributions	1,927,488
Total additions	<u>3,945,171</u>
Deductions from net assets:	
Retirement benefits paid	1,372,869
Administrative expenses	54,683
Total deductions	<u>1,427,552</u>
Net increase in net assets available for plan benefits	2,517,619
Net assets available for plan benefits, beginning of year	<u>30,843,692</u>
Net assets available for plan benefits, end of year	<u>\$ 33,361,311</u>

See accompanying notes to financial statements.

**BOARD OF DIRECTORS OF CITY TRUSTS
GIRARD NON-CONTRIBUTORY RETIREMENT PLAN**

Statement of Accumulated Plan Benefits – FASB Basis

December 31, 2016

Actuarial present value of accumulated plan benefits:

Vested benefits:

Participants currently receiving benefits

\$ 12,786,360

Other participants

11,213,840

Total vested benefits

24,000,200

Nonvested benefits

5,223

Total actuarial present value of accumulated plan benefits

\$ 24,005,423

See accompanying notes to financial statements.

**BOARD OF DIRECTORS OF CITY TRUSTS
GIRARD NON-CONTRIBUTORY RETIREMENT PLAN**

Statement of Changes in Accumulated Plan Benefits – FASB Basis

Year ended December 31, 2016

Actuarial present value of accumulated plan benefits, beginning of year	\$ 23,873,177
Increase (decrease) during the year attributable to:	
Retirement benefits paid	(1,372,869)
Additional benefit accumulations	349,908
Expected interest due to passage of time	1,819,657
Net actuarial gains	<u>(664,450)</u>
Net increase	<u>132,246</u>
Actuarial present value of accumulated plan benefits, end of year	<u>\$ 24,005,423</u>

See accompanying notes to financial statements.

**BOARD OF DIRECTORS OF CITY TRUSTS
GIRARD NON-CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

(1) Description of Plan

(a) General

The Board of Directors of City Trusts Girard Non-Contributory Retirement Plan (the Plan) is a defined benefit plan for certain employees of the Board of Directors of City Trusts acting for the City of Philadelphia, Trustee (the Board). The Plan covers Girard Estate and Girard College non-union employees, hired prior to September 1, 2010, who have completed one year of service regardless of age and certain union employees under union contracts that provide for participation. Other union employees are eligible for coverage under a contributory plan. All administrative expenses are paid out of plan assets. Participants should refer to the plan document for more complete information.

(b) Funding Policy

The Board contributes amounts as are necessary to provide the Plan with sufficient assets to meet the benefits to be paid to plan members, based upon amounts recommended by the Plan's actuary. Such amounts are determined in accordance with the Projected Unit Credit Actuarial Cost Method.

The Plan's net assets available for plan benefits exceeded the total actuarial present value of accumulated plan benefits as of December 31, 2016.

(c) Benefits

Plan participants who have attained age 65 are entitled to receive retirement benefits payable during their lifetime on the first day of each month following their retirement or termination of employment. Early retirement and survivor benefits are also available to participants.

Benefits are based on salary and years of service. Early retirement benefits are calculated by discounting the normal retirement benefit by an early retirement factor.

(d) Vesting

A participant becomes 100% vested in their accrued benefits upon completion of five years of credited service.

Upon termination of employment, the amount of benefit that a vested participant is entitled to under the Plan will be computed based on years of membership service and average monthly salary at the time of termination.

(e) Plan Termination

The Board has the right to terminate the Plan. Upon plan termination, all funds shall be used to pay participants their retirement income accrued, to the extent funded, as of the date of termination of the Plan. Information regarding vesting benefits provisions and the priority order of the participants' claims upon plan termination may be found in the plan document.

**BOARD OF DIRECTORS OF CITY TRUSTS
GIRARD NON-CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

(2) Significant Accounting Policies

(a) Basis of Accounting

The Plan is considered part of a governmental instrumentality and is therefore subject to U.S. generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). However, the Board has chosen to prepare the financial statements and notes thereto following the accounting standards promulgated by the Financial Accounting Standards Board (FASB) applicable to employee benefit plans because it believes that FASB standards better reflect the entity's purposes and operations.

If the Plan's financial statements were prepared in accordance with GASB standards rather than FASB standards, the following differences would exist:

- Management's discussion and analysis would be required supplementary information.
- The Plan's net pension liability, measured as the total pension liability less the Plan's fiduciary net position, would be presented as required supplementary information rather than in the financial statements. The actuarial present value of projected benefit payments would be required to be attributed using the entry-age actuarial cost method with each period's service cost determined as a level percentage of pay. Projected benefit payments would be discounted using the single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to be invested using a strategy to achieve that return and (2) a tax-exempt, high-quality municipal bond rate to the extent the conditions to use the long-term expected rate of return are not met.
- Additional disclosures would be provided regarding:
 - interest rate risk, credit risk, custodial credit risk and concentrations of credit risk related to the Plan's investments and the Plan's policies for managing such risks; and
 - a description of the risks of loss to which the entity is exposed and the ways in which the risks of loss are managed.

(b) Valuation of Investments

Investments are reported at fair value. See note 2(e) for a discussion of fair value measurements.

Realized gains and losses from the sales of investments, determined on the last-in, first-out method, as well as the change in the difference between aggregate market value and the cost of the investment from the beginning to the end of the year are reflected in the statement of changes in net assets available for plan benefits as realized and/or unrealized investment gains or losses.

(c) Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those estimated future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to services rendered by eligible employees to the valuation date. Accumulated plan benefits include benefits expected to be paid to

BOARD OF DIRECTORS OF CITY TRUSTS
GIRARD NON-CONTRIBUTORY RETIREMENT PLAN

Notes to Financial Statements – FASB Basis

December 31, 2016

(a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died and (c) present employees or their beneficiaries. Benefits for active, retired or terminated employees or their beneficiaries are based on a percentage of average annual employee earnings multiplied by benefit service. Benefits payable under all circumstances—retirement, death, and termination of employment—are included to the extent they are deemed attributable to employee service rendered to the valuation date.

(d) Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described in note 2(a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates and assumptions.

(e) Fair Value

Three levels of inputs may be used to measure fair value as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities, and corporate-debt securities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include 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.

At December 31, 2016, all of the Plan’s investments are held in the Collective Legal Investment Fund (CLIF). The CLIF was created by the Board to pool for investment management purposes the collective assets of the trusts it manages on behalf of the City of Philadelphia, including certain assets of the Girard Estate, Wills Eye Institute, the three retirement plans of the Board, and the 117 smaller trusts collectively referred to as the “Sundry Trusts.” Such investments are stated at fair value. Within the CLIF, the Plan owns shares that invest in the following types of securities:

Equity Securities

Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, they are categorized in Level 1 of the fair value hierarchy.

BOARD OF DIRECTORS OF CITY TRUSTS
GIRARD NON-CONTRIBUTORY RETIREMENT PLAN

Notes to Financial Statements – FASB Basis

December 31, 2016

Debt Securities

U.S. government and other debt securities are valued at the closing price reported in the active market in which the security is traded, if available, and categorized in Level 1 of the fair value hierarchy. If such information is not available, debt is valued based on yields currently available on comparable securities for issuers with similar credit ratings, and characterized in Level 2 of the fair value hierarchy.

Listed asset-backed securities are valued based on quoted market prices from the active market in which the instrument is principally traded and are categorized in Level 1 of the fair value hierarchy. If such quoted prices are not available, the fair value of the security is estimated based on models considering the estimated cash flows and expected yield. Such investments are categorized as Level 2 or Level 3 based on the extent inputs are observable and timely.

Private Equity Funds

Net asset values provided by limited partnership investees are based on estimates, appraisals, assumptions, and methods that are reviewed by CLIF management. The CLIF estimates the fair value of its private equity investments using the net asset value per share as reported by the investee as a practical expedient. Net asset value may differ from fair value as otherwise calculated in accordance with the basis of accounting described in note 2(a).

(3) Actuarial Assumptions

The significant methods and assumptions underlying the actuarial valuation by the consulting actuary as of December 31, 2016 were as follows:

Discount rate	7.75% per annum, compounded annually
Investment return	7.75% per annum, compounded annually, net of administrative expenses
Mortality basis	RP-2014 Mortality Table, using projection scale MP-2016
Turnover	Varying – none after age 50
Retirement age	The later of age 65, or after five years of service, or on the valuation date if already older

(4) Investment in Collective Legal Investment Fund

The CLIF is a balanced portfolio comprised primarily of equity, fixed income, and short-term investment securities. It is intended to be more aggressive than income-oriented portfolios and less aggressive than equity-oriented portfolios. These asset classes must have a readily ascertainable market value and must be readily marketable. As of December 31, 2016, less than 2% of the CLIF assets were invested in private equity investment funds, which are not classified in the fair value hierarchy because they are recorded at net value per share as a practical expedient to fair value.

The equity portfolio is diversified to avoid undue exposure to any single economic sector, industry group, or individual security.

BOARD OF DIRECTORS OF CITY TRUSTS
GIRARD NON-CONTRIBUTORY RETIREMENT PLAN

Notes to Financial Statements – FASB Basis

December 31, 2016

Risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investment vehicles. While high levels of risk are normally avoided, the assumption of risk is warranted and encouraged in order to allow the opportunity to achieve satisfactory long-term results consistent with objectives and fiduciary character of the CLIF. The volatility of returns is monitored and evaluated on a continuing basis.

At December 31, 2016, the Plan owned 352,713 units (approximately 6.8% of total units) in the CLIF. The total net assets of the CLIF, including investments, as of December 31, 2016 are as follows (in thousands):

Assets:	
Investments, at fair value:	
Short-term investments	\$ 13,771
Equities:	
Common stocks	215,025
Exchange traded funds	50,999
International equity mutual funds	28,806
Fixed income:	
United States government and agency obligations	34,223
Corporate and other bonds	85,778
Asset-backed securities	1,044
Mortgage-backed securities	862
Mutual funds	25,070
Global tactical asset allocation mutual funds	23,323
Private equity	8,401
Total investments	487,302
Cash and cash equivalents	1,927
Investment income receivable	1,791
Other receivables	313
Total assets	491,333
Liabilities:	
Accrued expenses	1,020
Due to participating trusts	2,010
Total liabilities	3,030
Net assets	\$ 488,303
Plan interest in CLIF net assets	\$ 32,901

BOARD OF DIRECTORS OF CITY TRUSTS
GIRARD NON-CONTRIBUTORY RETIREMENT PLAN

Notes to Financial Statements – FASB Basis

December 31, 2016

The following table presents the CLIF’s fair value hierarchy for assets held in the CLIF measured at fair value on a recurring basis as of December 31, 2016 (in thousands):

	Fair value measurements at December 31, 2016 using		
	Fair value	Level 1	Level 2
Short-term investments	\$ 13,771	13,771	—
Marketable equity securities:			
U.S. common stocks:			
Industrials	29,601	29,601	—
Consumer discretionary	32,358	32,358	—
Consumer staples	14,937	14,937	—
Energy	13,769	13,769	—
Financial	37,052	37,052	—
Materials	7,383	7,383	—
Information technology	43,864	43,864	—
Utilities	2,745	2,745	—
Healthcare	23,761	23,761	—
Telecommunications and other	9,555	9,555	—
Total U.S. common stocks	<u>215,025</u>	<u>215,025</u>	<u>—</u>
Exchange traded funds:			
S&P 500 Index SPDR	27,248	27,248	—
Select Sector SPDRs	23,751	23,751	—
Total exchange traded funds	<u>50,999</u>	<u>50,999</u>	<u>—</u>
International equity mutual funds	<u>28,806</u>	<u>28,806</u>	<u>—</u>
Total equity securities	<u>294,830</u>	<u>294,830</u>	<u>—</u>

BOARD OF DIRECTORS OF CITY TRUSTS
GIRARD NON-CONTRIBUTORY RETIREMENT PLAN

Notes to Financial Statements – FASB Basis

December 31, 2016

	Fair value measurements at December 31, 2016 using		
	Fair value	Level 1	Level 2
Fixed income:			
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	\$ 33,686	33,526	160
Debt securities issued by states of the United States and political subdivisions of the states	537	—	537
Debt securities issued by foreign governments	65	—	65
Corporate debt securities	85,713	—	85,713
Asset-backed securities	1,044	—	1,044
Residential mortgage-backed securities	461	—	461
Commercial mortgage-backed securities	401	—	401
Mutual Funds	25,070	25,070	—
Total fixed income	146,977	58,596	88,381
Global tactical asset allocation mutual funds	23,323	23,323	
Subtotal	478,901	390,520	88,381
Private equity funds reported at net asset value per share as a practical expedient	8,401		
	\$ 487,302		

Private equity funds, which are measured at net asset value as a practical expedient to fair value, have not been categorized in the fair value hierarchy table. The fair value amounts presented in the table for those investments are intended to permit reconciliation of the fair value hierarchy table to the investment amounts reported in the financial statements.

The CLIF participates in a securities lending program as a means to generate incremental income. Through this program, the CLIF may lend its securities to qualified borrowers, through its lending agent, that meet certain guidelines established by the Board. All borrowings are initially secured by collateral in an amount equal to at least 102% of the fair value of the securities loaned and are marked to market daily. Each business day, the amount of collateral is adjusted based on the prior day's closing fair value. The collateral is invested in cash and cash equivalents. Income from lending activity is determined by the amount of interest earned on the invested collateral, a portion of which is allocated to the lending agent. The CLIF is also entitled to receive interest and dividends from securities on loan. As of December 31, 2016, the CLIF had loaned out certain securities, returnable on demand, with a market value of \$165,545,000 to several financial institutions that have deposited collateral with respect to such securities of \$169,509,000.

**BOARD OF DIRECTORS OF CITY TRUSTS
GIRARD NON-CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

Net investment income of the CLIF for the year ended December 31, 2016 is as follows (in thousands):

Investment income:	
Interest income	\$ 5,541
Dividend income	6,185
Net income from securities lending	455
Other income	<u>307</u>
Total investment income	12,488
Expenses:	
Investment fees and other expenses	<u>4,164</u>
Net investment income	<u><u>\$ 8,324</u></u>

Net realized and unrealized gains on investments of the CLIF for the year ended December 31, 2016 are as follows (in thousands):

Net realized and unrealized gain on investments:	
Net realized gain from investment transactions	\$ 6,685
Net change in unrealized appreciation of investments	<u>16,041</u>
Net appreciation in fair value of investments	<u><u>\$ 22,726</u></u>

The CLIF held \$1,927,000 as cash and cash equivalents at December 31, 2016.

(5) Tax Status

The City of Philadelphia, Trustee, acting by the Board of Directors of City Trusts, statutory agent for the City of Philadelphia, has been determined to be an agency of the Commonwealth of Pennsylvania. Therefore, the Plan is currently operated as a tax qualified governmental retirement plan under the Internal Revenue Code (IRC). The Board of Directors of City Trusts believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if it is more likely than not that the position would not be sustained upon evaluation by the IRS. Management has considered and assessed the impact of uncertain tax positions on the Plan's financial statements in accordance with Accounting Standards Codification Topic 740, *Income Taxes*, and has concluded that no provision for income taxes is required as of December 31, 2016.

BOARD OF DIRECTORS OF CITY TRUSTS
GIRARD NON-CONTRIBUTORY RETIREMENT PLAN

Notes to Financial Statements – FASB Basis

December 31, 2016

(6) Risks and Uncertainties

The Plan invests in units of the CLIF. Investment securities are exposed 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 the Plan's interest in the CLIF will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for plan benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

(7) Subsequent Events

Plan management has evaluated subsequent events through June 30, 2017, which is the date the financial statements were available to be issued, and noted no matters requiring disclosure.



**BOARD OF DIRECTORS OF CITY TRUSTS
WILLS EYE HEALTH SYSTEM
NON-CONTRIBUTORY RETIREMENT PLAN**

Financial Statements

December 31, 2016

(With Independent Auditors' Report Thereon)

**BOARD OF DIRECTORS OF CITY TRUSTS
WILLS EYE HEALTH SYSTEM
NON-CONTRIBUTORY RETIREMENT PLAN**

Table of Contents

	Page
Independent Auditors' Report	VI-1
Statement of Net Assets Available for Plan Benefits – FASB Basis, December 31, 2016	VI-3
Statement of Changes in Net Assets Available for Plan Benefits – FASB Basis, Year ended December 31, 2016	VI-4
Statement of Accumulated Plan Benefits – FASB Basis, December 31, 2016	VI-5
Statement of Changes in Accumulated Plan Benefits – FASB Basis, Year ended December 31, 2016	VI-6
Notes to Financial Statements – FASB Basis	VI-7



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Directors of City Trusts
Philadelphia, Pennsylvania:

We have audited the accompanying financial statements of the Board of Directors of City Trusts Wills Eye Health System Non-Contributory Retirement Plan (the Plan), which comprise the statements of net assets available for plan benefits – Financial Accounting Standards Board (FASB) basis and of accumulated plan benefits– FASB basis as of December 31, 2016, and the related statements of changes in net assets available for plan benefits – FASB basis and of changes in accumulated plan benefits – FASB basis for the year then ended, and the related notes to the financial statements – FASB basis.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the FASB basis of accounting described in 2(a); 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the financial status of the Plan as of as of December 31, 2016 and the changes in its financial status for the year then ended, in accordance with the FASB basis of accounting described in note 2(a).



Basis of Accounting

We draw your attention to note 2(a) of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the standards promulgated by the FASB, which is a basis of accounting other than U.S. generally accepted accounting principles for governmental entities, which are promulgated by the Governmental Accounting Standards Board. Our opinion is not modified with respect to this matter.

KPMG LLP

Philadelphia, Pennsylvania
June 30, 2017

**BOARD OF DIRECTORS OF CITY TRUSTS
WILLS EYE HEALTH SYSTEM
NON-CONTRIBUTORY RETIREMENT PLAN**

Statement of Net Assets Available for Plan Benefits – FASB Basis
December 31, 2016

Assets	
Investment, 338,786 units of Collective Legal Investment Fund, at fair value	\$ 31,602,060
Cash and cash equivalents	345,729
Investment income receivable	<u>216,701</u>
Total assets	<u>32,164,490</u>
Liabilities	
Accrued expenses	<u>15,842</u>
Total liabilities	<u>15,842</u>
Net assets available for plan benefits	<u><u>\$ 32,148,648</u></u>

See accompanying notes to financial statements.

**BOARD OF DIRECTORS OF CITY TRUSTS
WILLS EYE HEALTH SYSTEM
NON-CONTRIBUTORY RETIREMENT PLAN**

Statement of Changes in Net Assets Available for Plan Benefits – FASB Basis
Year ended December 31, 2016

Additions to net assets:	
Investment income, net	\$ 450,198
Realized and unrealized investment gains	1,504,752
Employer contributions	1,200,000
Total additions	<u>3,154,950</u>
Deductions from net assets:	
Retirement benefits paid	2,485,082
Administrative expenses	69,933
Total deductions	<u>2,555,015</u>
Net decrease in net assets available for plan benefits	599,935
Net assets available for plan benefits, beginning of year	<u>31,548,713</u>
Net assets available for plan benefits, end of year	<u><u>\$ 32,148,648</u></u>

See accompanying notes to financial statements.

**BOARD OF DIRECTORS OF CITY TRUSTS
WILLS EYE HEALTH SYSTEM
NON-CONTRIBUTORY RETIREMENT PLAN**

Statement of Accumulated Plan Benefits – FASB Basis

December 31, 2016

Actuarial present value of accumulated plan benefits:

Vested benefits:

Participants currently receiving benefits

\$ 22,461,737

Other participants

13,609,631

Total vested benefits

36,071,368

Nonvested benefits

—

Total actuarial present value of accumulated plan benefits

\$ 36,071,368

See accompanying notes to financial statements.

**BOARD OF DIRECTORS OF CITY TRUSTS
WILLS EYE HEALTH SYSTEM
NON-CONTRIBUTORY RETIREMENT PLAN**

Statement of Changes in Accumulated Plan Benefits – FASB Basis

Year ended December 31, 2016

Actuarial present value of accumulated plan benefits, beginning of year	\$ 35,043,808
Increase (decrease) during the year attributable to:	
Retirement benefits paid	(2,485,082)
Additional benefit accumulations	397,798
Expected interest due to passage of time	2,642,403
Net actuarial losses	<u>472,441</u>
Net increase	<u>1,027,560</u>
Actuarial present value of accumulated plan benefits, end of year	<u><u>\$ 36,071,368</u></u>

See accompanying notes to financial statements.

**BOARD OF DIRECTORS OF CITY TRUSTS
WILLS EYE HEALTH SYSTEM
NON-CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

(1) Description of Plan

(a) General

The Board of Directors of City Trusts Wills Eye Health System Non-Contributory Retirement Plan (the Plan) is a defined benefit plan for certain employees of the Board of Directors of City Trusts acting for the City of Philadelphia, Trustee (the Board). The Plan covers Wills Eye Health System non-union employees, hired prior to September 10, 2010, who have completed one year of service regardless of age and certain union employees under union contracts that provide for participation. All administrative expenses are paid out of plan assets. Participants should refer to the plan document for more complete information.

(b) Funding Policy

The Board contributes amounts as are necessary to provide the Plan with sufficient assets to meet the benefits to be paid to plan members, based upon amounts recommended by the Plan's actuary. Such amounts are determined in accordance with the Projected Unit Credit Actuarial Cost Method.

The Plan's total actuarial present value of accumulated plan benefits exceeded the net assets available for plan benefits as of December 31, 2016.

(c) Benefits

Plan participants who have attained age 65 are entitled to receive retirement benefits payable during their lifetime on the first day of each month following their retirement or termination of employment. Early retirement and survivor benefits are also available to participants.

Benefits are based on salary and years of service. Early retirement benefits are calculated by discounting the normal retirement benefit by an early retirement factor.

(d) Vesting

A participant becomes 100% vested in their accrued benefits upon completion of five years of credited service.

Upon termination of employment, the amount of benefit that a vested participant is entitled to under the Plan will be computed based on years of membership service and average monthly salary at the time of termination.

(e) Plan Termination

The Board has the right to terminate the Plan. Upon plan termination, all funds shall be used to pay participants their retirement income accrued, to the extent funded, as of the date of termination of the Plan. Information regarding vesting benefits provisions and the priority order of the participants' claims upon plan termination may be found in the plan document.

**BOARD OF DIRECTORS OF CITY TRUSTS
WILLS EYE HEALTH SYSTEM
NON-CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

(2) Significant Accounting Policies

(a) Basis of Accounting

The Plan is considered part of a governmental instrumentality and is therefore subject to U.S. generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). However, the Board has chosen to prepare the financial statements and notes thereto following the accounting standards promulgated by the Financial Accounting Standards Board (FASB) applicable to employee benefit plans because it believes that FASB standards better reflect the entity's purposes and operations.

If the Plan's financial statements were prepared in accordance with GASB standards rather than FASB standards, the following differences would exist:

- Management's discussion and analysis would be required supplementary information.
- The Plan's net pension liability, measured as the total pension liability less the Plan's fiduciary net position, would be presented as required supplementary information rather than in the financial statements. The actuarial present value of projected benefit payments would be required to be attributed using the entry-age actuarial cost method with each period's service cost determined as a level percentage of pay. Projected benefit payments would be discounted using the single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to be invested using a strategy to achieve that return and (2) a tax-exempt, high-quality municipal bond rate to the extent the conditions to use the long-term expected rate of return are not met.
- Additional disclosures would be provided regarding:
 - interest rate risk, credit risk, custodial credit risk and concentrations of credit risk related to the Plan's investments and the Plan's policies for managing such risks; and
 - a description of the risks of loss to which the entity is exposed and the ways in which the risks of loss are managed.

(b) Valuation of Investments

Investments are reported at fair value. See note 2(e) for a discussion of fair value measurements.

Realized gains and losses from the sales of investments, determined on the last-in, first-out method, as well as the change in the difference between aggregate market value and the cost of the investment from the beginning to the end of the year are reflected in the statement of changes in net assets available for plan benefits as realized and/or unrealized investment gains or losses.

(c) Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those estimated future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to services rendered by eligible

**BOARD OF DIRECTORS OF CITY TRUSTS
WILLS EYE HEALTH SYSTEM
NON-CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

employees to the valuation date. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died and (c) present employees or their beneficiaries. Benefits for active, retired or terminated employees or their beneficiaries are based on a percentage of average annual employee earnings multiplied by benefit service. Benefits payable under all circumstances—retirement, death, and termination of employment—are included to the extent they are deemed attributable to employee service rendered to the valuation date.

(d) Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described in note 2(a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates and assumptions.

(e) Fair Value

Three levels of inputs may be used to measure fair value as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities, and corporate-debt securities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include 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.

**BOARD OF DIRECTORS OF CITY TRUSTS
WILLS EYE HEALTH SYSTEM
NON-CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

At December 31, 2016, all of the Plan’s investments are held in the Collective Legal Investment Fund (CLIF). The CLIF was created by the Board to pool for investment management purposes the collective assets of the trusts it manages on behalf of the City of Philadelphia, including certain assets of the Girard Estate, Wills Eye Institute, the three retirement plans of the Board and the 117 smaller trusts collectively referred to as the “Sundry Trusts.” Such investments are stated at fair value. Within the CLIF, the Plan owns shares that invest in the following types of securities:

Equity Securities

Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, they are categorized in Level 1 of the fair value hierarchy.

Debt Securities

U.S. government and other debt securities are valued at the closing price reported in the active market in which the security is traded, if available, and categorized in Level 1 of the fair value hierarchy. If such information is not available, debt is valued based on yields currently available on comparable securities for issuers with similar credit ratings, and characterized in Level 2 of the fair value hierarchy.

Listed asset-backed securities are valued based on quoted market prices from the active market in which the instrument is principally traded and are categorized in Level 1 of the fair value hierarchy. If such quoted prices are not available, the fair value of the security is estimated based on models considering the estimated cash flows and expected yield. Such investments are categorized as Level 2 or Level 3 based on the extent inputs are observable and timely.

Private Equity Funds

Net asset values provided by private equity investees are based on estimates, appraisals, assumptions, and methods that are reviewed by CLIF management. The CLIF estimates the fair value of its private equity investments using the net asset value per share as reported by the investee as a practical expedient. Net asset value may differ from fair value as otherwise calculated in accordance with the basis of accounting described in note 2(a).

(3) Actuarial Assumptions

The significant methods and assumptions underlying the actuarial valuation by the consulting actuary as of December 31, 2016 were as follows:

Discount rate	7.75% per annum, compounded annually
Investment return	7.75% per annum, compounded annually, net of administrative expenses
Mortality basis	RP-2014 Mortality Table, using projection scale MP-2016
Turnover	Varying – none after age 50
Retirement age	The later of age 65, or after five years of service, or on the valuation date if already older

**BOARD OF DIRECTORS OF CITY TRUSTS
WILLS EYE HEALTH SYSTEM
NON-CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

(4) Investment in Collective Legal Investment Fund

The CLIF is a balanced portfolio comprised primarily of equity, fixed income, and short-term investment securities. It is intended to be more aggressive than income-oriented portfolios and less aggressive than equity-oriented portfolios. These asset classes must have a readily ascertainable market value and must be readily marketable. As of December 31, 2016, less than 2% of the CLIF assets were invested in private equity investment funds, which are not classified in the fair value hierarchy because they are recorded at net asset value per share as a practical expedient to fair value.

The equity portfolio is diversified to avoid undue exposure to any single economic sector, industry group, or individual security.

Risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investment vehicles. While high levels of risk are normally avoided, the assumption of risk is warranted and encouraged in order to allow the opportunity to achieve satisfactory long-term results consistent with objectives and fiduciary character of the CLIF. The volatility of returns is monitored and evaluated on a continuing basis.

**BOARD OF DIRECTORS OF CITY TRUSTS
WILLS EYE HEALTH SYSTEM
NON-CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

At December 31, 2016, the Plan owned 338,786 units (approximately 6.5% of total units) in the CLIF. The total assets of the CLIF, including investments, as of December 31, 2016 are as follows (in thousands):

Assets:	
Investments, at fair value:	
Short-term investments	\$ 13,771
Equities:	
Common stocks	215,025
Exchange traded funds	50,999
International equity mutual funds	28,806
Fixed income:	
United States government and agency obligations	34,223
Corporate and other bonds	85,778
Asset-backed securities	1,044
Mortgage-backed securities	862
Mutual funds	25,070
Global tactical asset allocation mutual funds	23,323
Private equity	8,401
Total investments	487,302
Cash and cash equivalents	1,927
Investment income receivable	1,791
Other receivables	313
Total assets	491,333
Liabilities:	
Accrued expenses	1,020
Due to participating trusts	2,010
Total liabilities	3,030
Net assets	\$ 488,303
Plan interest in CLIF net assets	\$ 31,602

**BOARD OF DIRECTORS OF CITY TRUSTS
WILLS EYE HEALTH SYSTEM
NON-CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

The following table presents the CLIF’s fair value hierarchy for assets held in the CLIF measured at fair value on a recurring basis as of December 31, 2016 (in thousands):

	Fair value measurements at December 31, 2016 using		
	Fair value	Level 1	Level 2
Short-term investments	\$ 13,771	13,771	—
Marketable equity securities:			
U.S. common stocks:			
Industrials	29,601	29,601	—
Consumer discretionary	32,358	32,358	—
Consumer staples	14,937	14,937	—
Energy	13,769	13,769	—
Financial	37,052	37,052	—
Materials	7,383	7,383	—
Information technology	43,864	43,864	—
Utilities	2,745	2,745	—
Healthcare	23,761	23,761	—
Telecommunications and other	9,555	9,555	—
Total U.S. common stocks	<u>215,025</u>	<u>215,025</u>	<u>—</u>
Exchange traded funds:			
S&P 500 Index SPDR	27,248	27,248	—
Select Sector SPDRs	23,751	23,751	—
Total exchange traded funds	<u>50,999</u>	<u>50,999</u>	<u>—</u>
International equity mutual funds	<u>28,806</u>	<u>28,806</u>	<u>—</u>
Total equity securities	<u>294,830</u>	<u>294,830</u>	<u>—</u>

**BOARD OF DIRECTORS OF CITY TRUSTS
WILLS EYE HEALTH SYSTEM
NON-CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

	Fair value measurements at December 31, 2016 using		
	Fair value	Level 1	Level 2
Fixed income:			
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	\$ 33,686	33,526	160
Debt securities issued by states of the United States and political subdivisions of the states	537	—	537
Debt securities issued by foreign governments	65	—	65
Corporate debt securities	85,713	—	85,713
Asset-backed securities	1,044	—	1,044
Residential mortgage-backed securities	461	—	461
Commercial mortgage-backed securities	401	—	401
Mutual Funds	25,070	25,070	—
Total fixed income	<u>146,977</u>	<u>58,596</u>	<u>88,381</u>
Global tactical asset allocation mutual funds	<u>23,323</u>	<u>23,323</u>	
Subtotal	<u>478,901</u>	<u>390,520</u>	<u>88,381</u>
Private equity funds reported at net asset value per share as a practical expedient	<u>8,401</u>		
	<u>\$ 487,302</u>		

Private equity funds, which are measured at net asset value as a practical expedient to fair value, have not been categorized in the fair value hierarchy table. The fair value amounts presented in the table for those investments are intended to permit reconciliation of the fair value hierarchy table to the investment amounts reported in the financial statements.

The CLIF participates in a securities lending program as a means to generate incremental income. Through this program, the CLIF may lend its securities to qualified borrowers, through its lending agent, that meet certain guidelines established by the Board. All borrowings are initially secured by collateral in an amount equal to at least 102% of the fair value of the securities loaned and are marked to market daily. Each business day, the amount of collateral is adjusted based on the prior day's closing fair value. The collateral is invested in cash and cash equivalents. Income from lending activity is determined by the amount of interest earned on the invested collateral, a portion of which is allocated to the lending agent. The CLIF is also entitled to receive interest and dividends from securities on loan. As of December 31, 2016, the CLIF had loaned out certain securities, returnable on demand, with a market value of \$165,545,000 to several financial institutions that have deposited collateral with respect to such securities of \$169,509,000.

**BOARD OF DIRECTORS OF CITY TRUSTS
WILLS EYE HEALTH SYSTEM
NON-CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

Net investment income of the CLIF for the year ended December 31, 2016 is as follows (in thousands):

Investment income:	
Interest income	\$ 5,541
Dividend income	6,185
Net income from securities lending	455
Other income	<u>307</u>
Total investment income	12,488
Expenses:	
Investment fees and other expenses	<u>4,164</u>
Net investment income	<u><u>\$ 8,324</u></u>

Net realized and unrealized gains on investments of the CLIF for the year ended December 31, 2016 are as follows (in thousands):

Net realized and unrealized gain on investments:	
Net realized gain from investment transactions	\$ 6,685
Net change in unrealized appreciation of investments	<u>16,041</u>
Net appreciation in fair value of investments	<u><u>\$ 22,726</u></u>

The CLIF held \$1,927,000, as cash and cash equivalents at December 31, 2016.

(5) Tax Status

The City of Philadelphia, Trustee, acting by the Board of Directors of City Trusts, statutory agent for the City of Philadelphia, has been determined to be an agency of the Commonwealth of Pennsylvania. Therefore, the Plan is currently operated as a tax qualified governmental retirement plan under the Internal Revenue Code (IRC). The Board of Directors of City Trusts believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if it is more likely than not that the position would not be sustained upon evaluation by the IRS. Management has considered and assessed the impact of uncertain tax positions on the Plan's financial statements in accordance with Accounting Standards Codifications Topic 740, *Income Taxes*, and has concluded that no provision for income taxes is required as of December 31, 2016.

**BOARD OF DIRECTORS OF CITY TRUSTS
WILLS EYE HEALTH SYSTEM
NON-CONTRIBUTORY RETIREMENT PLAN**

Notes to Financial Statements – FASB Basis

December 31, 2016

(6) Risks and Uncertainties

The Plan invests in the units of the CLIF. Investment securities are exposed 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 the Plan's interest in the CLIF will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for plan benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

(7) Subsequent Events

Plan management has evaluated subsequent events through June 30, 2017, which is the date the financial statements were available to be issued, and noted no matters requiring disclosure.