JDRF INTERNATIONAL

Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
JDRF International:

We have audited the accompanying financial statements of JDRF International, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 of JDRF International as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

November 24, 2015

JDRF INTERNATIONAL

Statements of Financial Position

June 30, 2015 and 2014

(In thousands)

Assets		**2015**	**2014**
Cash and cash equivalents	$	37,715	16,428
Investments (note 3)		86,180	123,980
Contributions receivable, net (note 6)		39,888	44,309
Prepaid expenses and other assets		3,784	4,009
Fixed assets, net (note 7)		16,474	18,812
Total assets	$	184,041	207,538
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	13,892	17,125
Research grants payable (note 9)		105,160	137,384
Deferred special events revenue		6,691	6,755
Liabilities related to split-interest agreements		2,818	2,412
Total liabilities		128,561	163,676
Commitments and contingencies (note 10)			
Net assets (note 11):			
Unrestricted		17,142	1,740
Temporarily restricted		31,264	35,035
Permanently restricted		7,074	7,087
Total net assets		55,480	43,862
Total liabilities and net assets	$	184,041	207,538

See accompanying notes to financial statements.

JDRF INTERNATIONAL

Statements of Activities

Years ended June 30, 2015 and 2014

(In thousands)

	2015				2014			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Public support and revenue:								
Public support:								
Contributions	$ 44,306	16,765	—	61,071	39,625	27,180	—	66,805
Special events:								
Proceeds	151,479	—	—	151,479	153,923	—	—	153,923
Direct donor benefits	(26,527)	—	—	(26,527)	(24,944)	—	—	(24,944)
Contributions from affiliates (note 8)	13,727	—	—	13,727	15,235	—	—	15,235
Total public support	182,985	16,765	—	199,750	183,839	27,180	—	211,019
Revenue:								
Investment return, net (note 3)	(2,834)	24	(13)	(2,823)	13,446	339	287	14,072
Other	256	—	—	256	137	—	—	137
Total revenue	(2,578)	24	(13)	(2,567)	13,583	339	287	14,209
Net assets released from restrictions	20,560	(20,560)	—	—	20,064	(20,064)	—	—
Total public support and revenue	200,967	(3,771)	(13)	197,183	217,486	7,455	287	225,228
Expenses (note 5):								
Program services:								
Research, net (note 9)	91,966	—	—	91,966	119,604	—	—	119,604
Public education and advocacy	53,282	—	—	53,282	50,981	—	—	50,981
Total program services	145,248	—	—	145,248	170,585	—	—	170,585
Supporting services:								
Management and general	16,057	—	—	16,057	17,876	—	—	17,876
Fundraising	24,260	—	—	24,260	26,435	—	—	26,435
Total supporting services	40,317	—	—	40,317	44,311	—	—	44,311
Total expenses	185,565	—	—	185,565	214,896	—	—	214,896
Change in net assets	15,402	(3,771)	(13)	11,618	2,590	7,455	287	10,332
Net assets (deficit) at beginning of year	1,740	35,035	7,087	43,862	(850)	27,580	6,800	33,530
Net assets (deficit) at end of year	$ 17,142	31,264	7,074	55,480	1,740	35,035	7,087	43,862

See accompanying notes to financial statements.

JDRF INTERNATIONAL

Statements of Functional Expenses

Years ended June 30, 2015 and 2014

(In thousands)

2015

	Program services: Research	Program services: Public education and advocacy	Program services: Total	Supporting services: Management and general	Supporting services: Fundraising	Supporting services: Total	Total expenses
Research grants, net (note 9)	$ 72,354	—	72,354	—	—	—	72,354
Payroll and related expenses	12,965	34,872	47,837	10,571	16,150	26,721	74,558
Printing and promotional expenses	302	1,831	2,133	378	1,574	1,952	4,085
Office rent and related expenses, including depreciation and amortization	3,399	8,376	11,775	3,443	4,040	7,483	19,258
Meetings and conferences	1,095	2,332	3,427	557	909	1,466	4,893
Professional services	1,705	3,525	5,230	532	800	1,332	6,562
Miscellaneous	146	2,346	2,492	576	787	1,363	3,855
Total expenses	$ 91,966	53,282	145,248	16,057	24,260	40,317	185,565
Costs of direct benefits to donors							26,527
Total expenses and costs of direct benefits to donors							$ 212,092

2014

	Program services: Research	Program services: Public education and advocacy	Program services: Total	Supporting services: Management and general	Supporting services: Fundraising	Supporting services: Total	Total expenses
Research grants, net (note 9)	$ 98,317	—	98,317	—	—	—	98,317
Payroll and related expenses	12,934	33,557	46,491	11,976	17,195	29,171	75,662
Printing and promotional expenses	504	2,152	2,656	401	1,665	2,066	4,722
Office rent and related expenses, including depreciation and amortization	3,696	8,294	11,990	3,670	4,301	7,971	19,961
Meetings and conferences	1,627	2,698	4,325	741	1,369	2,110	6,435
Professional services	2,297	2,360	4,657	470	1,045	1,515	6,172
Miscellaneous	229	1,920	2,149	618	860	1,478	3,627
Total expenses	$ 119,604	50,981	170,585	17,876	26,435	44,311	214,896
Costs of direct benefits to donors							24,944
Total expenses and costs of direct benefits to donors							$ 239,840

See accompanying notes to financial statements.

JDRF INTERNATIONAL

Statements of Cash Flows

Years ended June 30, 2015 and 2014

(In thousands)

		2015	2014
Cash flows from operating activities:			
Change in net assets	$	11,618	10,332
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Net (depreciation) appreciation in fair value of investments		3,252	(13,221)
Depreciation and amortization		3,731	4,431
Changes in operating assets and liabilities:			
Contributions receivable		4,421	(9,582)
Prepaid expenses and other assets		225	(565)
Accounts payable and accrued expenses		(3,035)	2,885
Deferred rent credits		(198)	384
Research grants payable		(32,224)	(2,230)
Deferred special events revenue		(64)	175
Liabilities related to split-interest agreements		406	(48)
Net cash used in operating activities		(11,868)	(7,439)
Cash flows from investing activities:			
Purchase of fixed assets		(1,393)	(3,362)
Purchase of investments		(11,744)	(13,290)
Proceeds from sale of investments		46,292	26,520
Net cash provided by investing activities		33,155	9,868
Cash flows from financing activity:			
Proceeds from line of credit		4,000	—
Repayment of line of credit		(4,000)	—
Net cash provided by financing activity		—	—
Change in cash and cash equivalents		21,287	2,429
Cash and cash equivalents at beginning of year		16,428	13,999
Cash and cash equivalents at end of year	$	37,715	16,428

See accompanying notes to financial statements.

(1) Organization

JDRF International (JDRF) is the leading global organization focused on type 1 diabetes (T1D) research. Driven by passionate, grassroots volunteers connected to children, adolescents, and adults with this disease, JDRF is the largest charitable supporter of T1D research. The goal of JDRF is to improve the lives of every person affected by T1D by accelerating progress on the most promising opportunities for curing, better treating, and preventing the disease. JDRF collaborates with a wide spectrum of partners who share this goal. Many important developments in T1D research have resulted from JDRF funding. Public education spending funds efforts that support individuals and families living with T1D. It also advances an understanding of the disease and what we're doing to address it so that we can grow support for our research funding. Public education efforts work to inform our volunteers, donors and the T1D community. Examples of these activities include outreach materials and educational summits for people living with T1D at all ages and stages of the disease. Personal mentoring and support services, and educational elements for our peer-to-peer community fundraising events.

JDRF solicits contributions from the public and engages in various fund-raising activities. Funds raised are used principally to support T1D research. In addition, JDRF engages in advocacy efforts aimed at increasing federal funding of T1D research. In fiscal 2015, JDRF's advocacy efforts helped drive congressional passage of legislation for an additional $300 million (unaudited) for T1D research through the National Institutes of Health.

JDRF's financial statements include the accounts of JDRF and its Chapters located throughout the United States. International affiliates are located in Canada, Australia, the United Kingdom, and a number of other countries. The financial statements of those organizations are not included in the accompanying financial statements since JDRF does not exercise control over the management and operations of the international affiliates. However, international affiliates provide funding to JDRF for research grants as presented in Note no. 8.

JDRF is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is organized under the laws of the Commonwealth of Pennsylvania. The effect of income tax positions is recognized only if those positions are more likely than not of being sustained. Income generated from activities unrelated to JDRF's exempt purpose is subject to tax under Internal Revenue Code Section 511. Unrelated business income tax liability was insignificant for the years ended June 30, 2015 and 2014.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

JDRF's financial statements are prepared on the accrual basis of accounting in accordance with standards established by the Financial Accounting Standards Board (FASB) for external financial reporting by not-for-profit organizations. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that will be met either by actions of JDRF or by the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions, that stipulate that the principal be maintained permanently, but permit JDRF to expend part or all of the income and gains derived therefrom.

Revenues and gains and losses on investments and other assets are reported as changes in unrestricted net assets unless limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets.

When a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

(b) Contributions

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Contributions with purpose or time restrictions are reported as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restrictions are met. Contributions subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets.

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a treasury yield rate commensurate with the duration of the donor's payment plan. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions expected to be received after one year are discounted at a treasury yield rate of return. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contribution.

Contributions received for future special events, primarily walk events, are recorded as deferred revenue and are recognized as revenue in the fiscal year the event takes place, which is generally within one year.

JDRF administers two types of split-interest agreements – Charitable Gift Annuities and Charitable Remainder Trusts. With Charitable Gift Annuities, cash or marketable securities are received from a donor in exchange for an annuity to be distributed for a fixed amount over the lifetime or lifetimes of the donor or other beneficiaries. With Charitable Remainder Trusts administered by JDRF, donated assets are received under a trust agreement established by the donor in exchange for an income stream to be distributed to the donor and/or other beneficiaries over a specified period of time. The distribution to the donor or other beneficiaries may be a fixed dollar amount (an annuity trust) or percentage of the fair value of the trust as determined annually (unitrust). For both Charitable Gift Annuities and Charitable Remainder Trusts, a related liability is recorded for the actuarially determined present value of the obligation to the annuitant or annuitants. The discount rates used to calculate the liability range between 1.2% and 8.2% at June 30, 2015. For Charitable Gift Annuities, the assets received are held by JDRF as general assets and the annuity liability is a general obligation.

In fiscal year 2015, approximately $5,000 of revenues received from corporations that were recorded as proceeds from special events in fiscal year 2014 and prior are realigned and recorded as contributions.

(c) Cash and Cash Equivalents

Cash equivalents consist of money market accounts, demand notes, savings accounts, and certificates of deposit purchased with original maturities of three months or less, except for such instruments purchased by JDRF's investment managers as part of their investment strategies.

(d) Investments

Investments in debt and equity securities, including assets related to split-interest agreements, with readily determinable fair values are reported at fair value based upon quoted market prices. Investments in funds, which report net asset value or its equivalent (NAV funds), are reported at estimated fair value. The estimated fair value of NAV funds, as a practical expedient, is the net asset value as provided by the investment managers, and evaluated for reasonableness by JDRF. Due to the inherent uncertainties of these estimates, these values may differ from the values that would have been used had a ready market existed for such investments.

(e) Fixed Assets

Fixed assets, which consist of furniture, equipment, and leasehold improvements, are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which approximate 3 to 10 years for furniture and equipment. Leasehold improvements are amortized on a straight-line basis over the shorter of the life of the asset or the lease term.

(f) Fair Value

Assets and liabilities reported at fair value are required to be classified within a fair value hierarchy, which gives preference to the use of observable inputs over unobservable inputs. Fair value is defined as 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. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.

(Continued)

- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs used when little or no market data is available.

Financial instruments are defined to include: cash and cash equivalents, investments, contributions receivable, accounts payable, and liabilities related to split-interest agreements. The fair value of investments and contributions receivable are discussed in notes 3 and 6, respectively. The carrying amount of JDRF's remaining financial instruments approximate fair value due to their short-term maturity. However, the inputs to the fair value are considered Level 3 in the hierarchy.

The carrying amount of annuity and other split-interest obligations approximates fair value because these instruments are recorded at the estimated net present value of future cash flows. The estimated fair value, however, involves unobservable inputs considered to be Level 3 in the fair value hierarchy.

(g) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services areas that were benefited.

(h) Allocation of Joint Costs

JDRF allocates joint costs between fund-raising and program services or management and general in accordance with Accounting Standards Codification Subtopic (ASC) No. 958-720, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fundraising*.

(i) 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 and disclosures of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Significant estimates made in the preparation of the financial statements include fair value of investments in NAV funds, net realizable value of contributions receivable, and functional expense allocation. Actual results could differ from those estimates.

(j) Recently Issued Accounting Pronouncements

In 2015, JDRF early adopted Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, which removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. JDRF applied the provision of the update retrospectively to 2014.

(In thousands)

(3) Investments

Investments at June 30, 2015 and 2014 consisted of the following:

		2015	2014
Cash and cash equivalents	$	151	124
Mutual funds:			
Equity, principally domestic		14,805	34,714
Fixed income, principally government		21,589	27,704
Fixed income funds		8,978	15,289
Global equity funds		8,993	9,000
Real assets funds		3,141	9,640
Hedge funds		28,523	27,509
Total investments	$	86,180	123,980

Included in investments are amounts related to Charitable Gift Annuities and Charitable Remainder Trusts totaling $2,792 and $2,488, respectively, at June 30, 2015 and $2,869 and $2,651, respectively, at June 30, 2014.

Investments are exposed to various risks, such as market and credit risks. Because of such risks, it is possible that change in investment values will occur and that such changes could materially affect JDRF's financial statements.

The following table presents the fair value hierarchy of investments including $5,280 of split interest agreements as of June 30, 2015:

		Total	Level 1
Cash and cash equivalents	$	151	151
Mutual funds:			
Equity, principally domestic		14,805	14,805
Fixed income, principally government		21,589	21,589
Sub-total	$	36,545	36,545
Investments measured at net asset value (or its equivalent)		49,635	
Total	$	86,180	

(In thousands)

The following table presents the fair value hierarchy of investments including $5,520 of split interest agreements as of June 30, 2014:

		Total	Level 1
Cash and cash equivalents	$	124	124
Mutual funds:			
Equity, principally domestic		34,714	34,714
Fixed income, principally government		27,704	27,704
Sub-total	$	62,542	62,542
Investments measured at net asset value (or its equivalent)		61,438	
Total	$	123,980	

Information with respect to the strategies of NAV funds is as follows (amounts included are as of June 30, 2015):

Fixed income funds ($8,978) – Investments in two funds that invest in sovereign bonds – both in the United States and globally, as well as bank loans.

Global equity funds ($8,993) – Investments in one fund that seeks to benefit from the compounding effect of accumulated earnings, assets, and dividends of the portfolio's underlying companies. Investments are in long positions, predominately in developed and emerging markets outside of the United States.

Real assets funds ($3,141) – Investments in one fund that invests in liquid energy, real estate, and natural resources equities, as well as commodities and TIPS.

Hedge funds ($28,523) – Investments in six funds that employ "alternative" strategies, primarily involving marketable securities. In addition to stocks and bonds, financial instruments traded by these funds may include derivatives contracts (e.g., futures, forwards, swaps, and options related to stocks, bonds, commodities, interest rates, or currencies), or less liquid assets such as private placements, structured products, bank loans, real estate, and special-purpose vehicles. These funds often employ the use of leverage and short selling.

(In thousands)

The limitations and restrictions on JDRF's ability to redeem or sell its investments in NAV funds vary by investment. Based upon the terms and conditions in effect at June 30, 2015, these investments in NAV funds can be redeemed or sold as follows:

		Amounts
Less than a month	$	5,094
Monthly		16,018
Quarterly		12,976
Annually (calendar basis and investment anniversary)		15,547
	$	49,635

There were no unfunded commitments as of June 30, 2015.

The components of investment return and its classification in the statements of activities for the years ended June 30, 2015 and 2014 were as follows:

	2015				
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Interest and dividends, net	$	364	52	13	429
Net depreciation		(3,198)	(28)	(26)	(3,252)
	$	(2,834)	24	(13)	(2,823)

	2014				
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Interest and dividends	$	802	40	9	851
Net appreciation		12,644	299	278	13,221
	$	13,446	339	287	14,072

Investment expenses relating to investment advisors, managers, and custodians and other bank charges are recorded as reductions to interest and dividend income. Investment expenses paid directly totaled $567 and $809 for the years ended June 30, 2015 and 2014, respectively.

(4) Retirement Plan

JDRF has a defined contribution pension plan, which substantially covers all employees. Related contribution expense for the years ended June 30, 2015 and 2014 was $1,709 and $1,647, respectively.

(In thousands)

(5) Allocation of Joint Costs

In 2015 and 2014, JDRF conducted activities, principally direct mail, that included fundraising appeals as well as program components. The joint costs incurred were allocated as follows:

		2015	2014
Public education	$	1,021	1,110
Management and general		166	185
Fundraising		1,659	1,788
Total	$	2,846	3,083

(6) Contributions Receivable

Contributions receivable include pledges due in future periods, uncollected special events revenues, and affiliate contributions receivable.

Contributions receivable at June 30, 2015 and 2014 consisted of the following:

		2015	2014
Gross pledges receivable, due in:			
Less than one year	$	12,724	18,784
One to five years		17,116	14,249
Thereafter		170	273
		30,010	33,306
Less:			
Allowance for doubtful accounts		(1,317)	(1,143)
Unamortized discount to present value, at rates ranging from 0.28% to 5.50%		(489)	(465)
Pledges receivable, net		28,204	31,698
Special events revenues receivables		11,684	12,611
	$	39,888	44,309

Contributions receivable have been discounted to their present value at the rate at the time the original unconditional promise to give was made using a treasury yield rate, which is considered Level 3 in the fair value hierarchy.

At June 30, 2015 and 2014, the ten largest contributions receivable represented 27% and 45% of the gross contributions receivable, respectively. The ten largest contributions represented 65% and 60% of the total contributions for the years ending June 30, 2015 and 2014, respectively.

(Continued)

(In thousands)

(7) Fixed Assets

Fixed assets at June 30, 2015 and 2014 consisted of the following:

		2015	2014
Furniture and equipment	$	24,506	23,147
Leasehold improvements		4,677	4,643
		29,183	27,790
Less accumulated depreciation and amortization		(12,709)	(8,978)
Fixed assets, net	$	16,474	18,812

(8) Contributions from International Affiliates

During the years ended June 30, 2015 and 2014, JDRF received contributions from affiliates as follows:

		2015	2014
JDRF – Canada	$	6,624	7,415
JDRF – Australia		4,241	5,078
JDRF – United Kingdom		2,451	2,327
JDRF – Netherlands		321	268
JDRF – Denmark		—	45
JDRF – Israel		90	102
	$	13,727	15,235

JDRF Australia's 2015 and 2014 contributions include $1,630 and $1,371, respectively, funded by the Australian Government as part of the Australian T1D Clinical Research Network (CRN). The program, which began in 2011, funds JDRF-approved grants at Australian medical and research institutions to encourage, facilitate, and support the efficient conduct of a greater number of promising clinical trials in T1D in Australia.

In April 2015, JDRF and the Affiliates reached agreement on a renewed three-year Affiliate Agreement with an option for a three year renewal, with all agreements to expire in 2021. The Agreement remains much the same as the previous agreement but with the addition of a provision for termination with and termination without cause.

(In thousands)

(9) Research Grants Payable

Research grants payable at June 30, 2015 and 2014 consisted of the following:

		2015	2014
Amounts expected to be paid in:			
Less than one year	$	87,608	133,245
One to five years		17,602	4,185
Subtotal		105,210	137,430
Less discount to present value, at rates ranging from 0.28% to 0.88%		(50)	(46)
Total	$	105,160	137,384

Research grant expense is net of any grant refunds, reductions, or terminations. These adjustments were $15,499 and $7,443 for the years ended June 30, 2015 and 2014, respectively.

(10) Commitments and Contingencies

(a) Research Grants

As of June 30, 2015, JDRF's conditional research grants commitments, including milestone contracts, of $62,987, which will be recognized in the financial statements when the conditions have been substantially met, are currently estimated to be payable as follows:

2016	$	39,672
2017		16,838
2018		4,627
2019		1,850
	$	62,987

(b) Leases

JDRF is also obligated under various leases for space occupied by certain chapters. Rent expense including maintenance costs for the chapters was $4,444 and $4,367 for the years ended June 30, 2015 and 2014, respectively.

(Continued)

(In thousands)

Rental commitments for all leases are as follows:

2016	$	6,824
2017		6,163
2018		5,238
2019		4,542
2020		2,718
Thereafter		2,242
	$	27,727

Rent expense is recognized on a straight-line basis, and accordingly, a deferred rent credit has been recorded. At June 30, 2015 and 2014, a credit of approximately $1,966 and $2,164, respectively, is included in accounts payable and accrued expenses.

(c) Line of Credit

On January 23, 2013, JDRF entered into an agreement with a financial institution for an unsecured line of credit in the aggregate amount of $5 million. The line of credit was extended on January 13, 2015 and expires December 31, 2015. During the year, $4,000 of the line of credit was used and subsequently repaid. There were no amounts outstanding at June 30, 2015 and 2014.

(d) T1D Innovations

JDRF and PureTech Ventures, a venture creation firm based in Boston, Massachusetts, formed T1D Innovations in August 2013 to create and fund high-impact companies developing innovative T1D related therapies. JDRF contributed an initial investment of $300 to T1D Innovations and maintained an obligation for additional contributions under certain conditions. Upon the agreement of both parties, this venture was dissolved in January, 2015 with $50 returned to JDRF and no further financial obligation required of either Party. JDRF’s remaining initial investment was recorded as a research expense in 2015.

(11) Net Assets

(a) Temporarily Restricted Net Assets

At June 30, 2015 and 2014, temporarily restricted net assets were available for the following purposes:

		2015	2014
Future periods, principally pledges receivable and split-interest agreements	$	31,264	35,035

(In thousands)

(b) Permanently Restricted Net Assets

At June 30, 2015 and 2014, the investment return derived from permanently restricted net assets was expendable to support:

		2015	2014
General activities	$	2,902	2,902
Research projects:			
Artificial Pancreas Project		2,000	2,000
Virginia Mason Research Center		2,172	2,185
	$	7,074	7,087

(c) Endowment

JDRF's endowment consists of six individual donor-restricted endowment funds established for a variety of purposes. The Commonwealth of Pennsylvania has not enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), or a version of the Uniform Management of Institutional Funds Act (UMIFA). Governing law resides in 15 Pa. C.S. § 5548, *Investment of Trust Funds*. JDRF has interpreted Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, permanently restricted net assets include (a) the original value of gifts to the permanent endowment and (b) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, when applicable. The endowment funds are invested in SEC registered, institutional quality mutual funds across a range of diversified asset classes including domestic and international large and small cap stocks, emerging markets equities, domestic and international REITs, domestic and foreign bonds, and investment grade and high yield bonds.

The following tables present the changes in donor-restricted endowment funds:

		2015			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at June 30, 2014	$	510	339	7,087	7,936
Investment income		358	52	13	423
Net depreciation		(40)	(28)	(26)	(94)
Appropriation for expenditure		296	(296)	—	—
Endowment net assets at June 30, 2015	$	1,124	67	7,074	8,265

(In thousands)

		2014			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at June 30, 2013	$	72	37	6,800	6,909
Investment income		67	40	29	136
Net depreciation		443	299	258	1,000
Appropriation for expenditure		(72)	(37)	—	(109)
Endowment net assets at June 30, 2014	$	510	339	7,087	7,936

(12) Subsequent Events

In connection with the preparation of the financial statements, JDRF evaluated subsequent events after the statement of financial position date of June 30, 2015 through November 24, 2015, the date the financial statements were available for issuance. JDRF has determined that there are no subsequent events to disclose.