KPMG

JDRF INTERNATIONAL

Financial Statements

June 30, 2014 and 2013

(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, 2014 and 2013, 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, 2014 and 2013, 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

October 15, 2014

JDRF INTERNATIONAL

Statements of Financial Position

June 30, 2014 and 2013

(In thousands)

Assets		**2014**	**2013**
Cash and cash equivalents	$	16,428	13,999
Investments (note 3)		123,980	123,989
Contributions receivable, net (note 6)		44,309	34,727
Prepaid expenses and other assets		4,009	3,444
Fixed assets, net (note 7)		18,812	19,881
Total assets	$	207,538	196,040
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	17,125	13,856
Research grants payable (note 9)		137,384	139,614
Deferred special events revenue		6,755	6,580
Liabilities related to split-interest agreements		2,412	2,460
Total liabilities		163,676	162,510
Commitments and contingencies (note 10)			
Net assets (accumulated deficit) (note 11):			
Unrestricted		1,740	(850)
Temporarily restricted		35,035	27,580
Permanently restricted		7,087	6,800
Total net assets		43,862	33,530
Total liabilities and net assets	$	207,538	196,040

See accompanying notes to financial statements.

JDRF INTERNATIONAL

Statements of Activities

Years ended June 30, 2014 and 2013

(In thousands)

	2014				2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Public support and revenue:								
Public support:								
Contributions	$ 39,625	27,180	—	66,805	40,741	16,637	100	57,478
Special events:								
Proceeds	153,923	—	—	153,923	150,389	—	—	150,389
Direct donor benefits	(24,944)	—	—	(24,944)	(26,711)	—	—	(26,711)
Contributions from affiliates (note 8)	15,235	—	—	15,235	15,792	—	—	15,792
Total public support	183,839	27,180	—	211,019	180,211	16,637	100	196,948
Revenue:								
Investment return (note 3)	13,446	339	287	14,072	8,940	37	(28)	8,949
Other	137	—	—	137	75	—	—	75
Total revenue	13,583	339	287	14,209	9,015	37	(28)	9,024
Net assets released from restrictions	20,064	(20,064)	—	—	13,967	(13,967)	—	—
Total public support and revenue	217,486	7,455	287	225,228	203,193	2,707	72	205,972
Expenses (note 5):								
Program services:								
Research, net (note 9)	119,604	—	—	119,604	123,361	—	—	123,361
Public education	50,981	—	—	50,981	45,971	—	—	45,971
	170,585	—	—	170,585	169,332	—	—	169,332
Supporting services:								
Management and general	17,876	—	—	17,876	15,912	—	—	15,912
Fundraising	26,435	—	—	26,435	23,597	—	—	23,597
	44,311	—	—	44,311	39,509	—	—	39,509
Total expenses	214,896	—	—	214,896	208,841	—	—	208,841
Change in net assets	2,590	7,455	287	10,332	(5,648)	2,707	72	(2,869)
Net assets (accumulated deficit) at beginning of year	(850)	27,580	6,800	33,530	4,798	24,873	6,728	36,399
Net assets (accumulated deficit) at end of year	$ 1,740	35,035	7,087	43,862	(850)	27,580	6,800	33,530

See accompanying notes to financial statements.

JDRF INTERNATIONAL

Statements of Functional Expenses

Years ended June 30, 2014 and 2013

(In thousands)

2014

	Program services			Supporting services			
	Research	**Public education**	**Total**	**Management and general**	**Fundraising**	**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 functional 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

2013

	Program services			Supporting services			
	Research	**Public education**	**Total**	**Management and general**	**Fundraising**	**Total**	**Total expenses**
Research grants, net (note 9)	$ 106,005	—	106,005	—	—	—	106,005
Payroll and related expenses	11,398	30,796	42,194	10,540	15,425	25,965	68,159
Printing and promotional expenses	405	1,956	2,361	445	1,849	2,294	4,655
Office rent and related expenses, including depreciation and amortization	2,354	7,691	10,045	3,168	3,766	6,934	16,979
Meetings and conferences	1,049	2,380	3,429	737	1,134	1,871	5,300
Professional services	1,915	1,313	3,228	427	682	1,109	4,337
Miscellaneous	235	1,835	2,070	595	741	1,336	3,406
Total functional expenses	$ 123,361	45,971	169,332	15,912	23,597	39,509	208,841
Costs of direct benefits to donors							26,711
Total expenses and costs of direct benefits to donors							$ 235,552

See accompanying notes to financial statements.

JDRF INTERNATIONAL

Statements of Cash Flows

Years ended June 30, 2014 and 2013

(In thousands)

		2014	2013
Cash flows from operating activities:			
Change in net assets	$	10,332	(2,869)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Net appreciation in fair value of investments		(13,221)	(7,548)
Depreciation and amortization		4,431	3,195
Proceeds from permanently restricted contributions		—	(100)
Changes in operating assets and liabilities:			
Contributions receivable		(9,582)	(7,286)
Prepaid expenses and other assets		(565)	(517)
Accounts payable and accrued expenses		2,885	559
Deferred rent credits		384	708
Research grants payable		(2,230)	10,224
Deferred special events revenue		175	462
Liabilities related to split-interest agreements		(48)	(51)
Net cash used in operating activities		(7,439)	(3,223)
Cash flows from investing activities:			
Purchase of fixed assets		(3,362)	(10,181)
Purchase of investments		(13,290)	(26,739)
Proceeds from sale of investments		26,520	40,342
Net cash provided by investing activities		9,868	3,422
Cash flows from financing activity:			
Proceeds from permanently restricted contributions		—	100
Net cash provided by financing activity		—	100
Change in cash and cash equivalents		2,429	299
Cash and cash equivalents at beginning of year		13,999	13,700
Cash and cash equivalents at end of year	$	16,428	13,999

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, as well as its public awareness and advocacy efforts.

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 2014, JDRF's advocacy efforts helped drive congressional passage of legislation for an additional $150 million 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.

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, 2014 and 2013.

(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.

(Continued)

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, 2014. For Charitable Gift Annuities, the assets received are held by JDRF as general assets and the annuity liability is a general obligation.

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.

(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 of Financial Instruments

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 is discussed in note 3. The carrying amounts 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.

(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.

(All dollars in thousands)

(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) Reclassification

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

(3) Investments

Investments at June 30, 2014 and 2013 consisted of the following:

		2014	2013
Cash and cash equivalents	$	124	119
Mutual funds:			
Equity, principally domestic		34,714	32,012
Fixed income, principally corporate		27,704	30,048
Fixed income funds		15,289	14,468
Global equity funds		9,000	7,206
Real assets funds		9,640	8,239
Hedge funds		27,509	31,897
Total investments	$	123,980	123,989

Included in investments are amounts related to Charitable Gift Annuities and Charitable Remainder Trusts totaling $2,869 and $2,651, respectively, at June 30, 2014 and $2,511 and $2,468, respectively, at June 30, 2013.

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.

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:

(All dollars in thousands)

- 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.
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The Level 2 classification is also applied to those NAV funds that are redeemable at or near the date of the statement of financial position (generally within 90 days).
- Level 3 inputs are unobservable inputs used when little or no market data is available. The Level 3 classification is also applied to those NAV funds that are not redeemable at or near the date of the statement of financial position.

Most investments classified as Level 2 or 3 consist of shares or units in NAV funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. The classification of such investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

The following table presents the fair value hierarchy of investments as of June 30, 2014:

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 124	124	—	—
Mutual funds:				
Equity, principally domestic	34,714	34,714	—	—
Fixed income, principally corporate	27,704	27,704	—	—
Fixed income funds	15,289	—	15,289	—
Global equity funds	9,000	—	9,000	—
Real assets funds	9,640	—	9,640	—
Hedge funds	27,509	—	19,924	7,585
Total	$ 123,980	62,542	53,853	7,585

(All dollars in thousands)

The following table presents the fair value hierarchy of investments as of June 30, 2013:

		Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$	119	119	—	—
Mutual funds:					
Equity, principally domestic		32,012	32,012	—	—
Fixed income, principally corporate		30,048	30,048	—	—
Fixed income funds		14,468	—	14,468	—
Global equity funds		7,206	—	7,206	—
Real assets funds		8,239	—	8,239	—
Hedge funds		31,897	—	22,362	9,535
Total	$	123,989	62,179	52,275	9,535

Information with respect to the strategies of NAV funds is as follows (amounts included are as of June 30, 2014):

Fixed income funds ($15,289) – Investments in two funds that invest in sovereign and investment-grade corporate bonds – both in the United States and globally, as well as noninvestment-grade bonds and bank loans.

Global equity funds ($9,000) – Investments in one fund that invest in companies that are believed to have overlooked value as well as event driven stocks selling at discounts to their intrinsic values. Investments are in long positions, predominately in developed and emerging markets outside of the United States.

Real assets funds ($9,640) – Investments in one fund that invests in liquid energy, real estate, and natural resources equities, as well as commodities and TIPS.

Hedge funds ($27,509) – 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, insurance risk, special-purpose vehicles, royalties rights, and receivables. These funds often employ the use of leverage and short selling.

(All dollars 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, 2014, these investments can be redeemed or sold as follows:

		Amounts
Less than a month	$	6,757
Monthly		27,172
Quarterly		11,600
Annually (calendar basis and investment anniversary)		15,909
	$	61,438

The following table presents a reconciliation of Level 3 investments for the years ended June 30, 2014 and 2013:

		2014	2013
Balance at beginning of year	$	9,535	22,464
Purchases		—	—
Net gains		758	780
Redemptions		(2,708)	(13,709)
Balance at end of year	$	7,585	9,535

There were no unfunded commitments as of June 30, 2014.

The components of investment return and its classification in the statements of activities for the years ended June 30, 2014 and 2013 were as follows:

		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

(All dollars in thousands)

		2013			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Interest and dividends	$	1,346	38	17	1,401
Net appreciation (depreciation)		7,594	(1)	(45)	7,548
	$	8,940	37	(28)	8,949

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 $809 and $655 for the years ended June 30, 2014 and 2013, respectively.

(4) Retirement Plan

JDRF has a defined contribution pension plan, which substantially covers all employees. Related expense for the years ended June 30, 2014 and 2013 was $1,647 and $1,491, respectively.

(5) Allocation of Joint Costs

In 2014 and 2013, JDRF conducted activities, principally direct mail, that included fundraising appeals as well as program components. The joint costs incurred were allocated as follows:

		2014	2013
Public education	$	1,110	1,093
Management and general		185	181
Fundraising		1,788	1,768
Total	$	3,083	3,042

(6) Contributions Receivable

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

(Continued)

(All dollars in thousands)

Contributions receivable at June 30, 2014 and 2013 consisted of the following:

		2014	2013
Gross pledges receivable, due in:			
Less than one year	$	18,784	13,228
One to five years		14,249	8,916
Thereafter		273	158
		33,306	22,302
Less:			
Allowance for doubtful accounts		(1,143)	(1,010)
Unamortized discount to present value, at rates ranging from 0.72% to 5.50%		(465)	(327)
Pledges receivable, net		31,698	20,965
Uncollected special events revenues		12,611	13,557
Affiliate contributions receivable		—	205
	$	44,309	34,727

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, 2014 and 2013, the ten largest contributions receivable represented 45% and 38% of the gross contributions receivable, respectively. The ten largest contributions represented 67% and 60% of the total contributions for the years ending June 30, 2014 and 2013, respectively.

(7) Fixed Assets

Fixed assets at June 30, 2014 and 2013 consisted of the following:

		2014	2013
Furniture and equipment	$	23,147	25,099
Leasehold improvements		4,643	4,495
		27,790	29,594
Less accumulated depreciation and amortization		(8,978)	(9,713)
Fixed assets, net	$	18,812	19,881

(Continued)

(All dollars in thousands)

(8) Contributions from Affiliates

During the years ended June 30, 2014 and 2013, JDRF received contributions from affiliates as follows:

		2014	2013
JDRF – Canada	$	7,415	8,000
JDRF – Australia		5,078	5,267
JDRF – United Kingdom		2,327	1,974
JDRF – Netherlands		268	354
JDRF – Denmark		45	87
JDRF – Israel		102	110
	$	15,235	15,792

JDRF Australia's 2014 and 2013 contributions include $1,371 and $807, 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.

(9) Research Grants Payable

Research grants payable at June 30, 2014 and 2013 consisted of the following:

		2014	2013
Amounts expected to be paid in:			
Less than one year	$	133,245	116,547
One to five years		4,185	23,247
Subtotal		137,430	139,794
Less discount to present value, at rates ranging from 0.41% to 0.88%		(46)	(180)
Total	$	137,384	139,614

Research grant expense is net of any grant refunds, reductions, or terminations. These adjustments were $6,716 and $7,415 for the years ended June 30, 2014 and 2013, respectively.

(All dollars in thousands)

(10) Commitments and Contingencies

(a) Research Grants

As of June 30, 2014, JDRF's conditional research grants commitments, including milestone contracts, of $97,998, which will be recognized in the financial statements when the conditions have been substantially met, are currently estimated to be payable as follows:

2015	$	65,330
2016		24,045
2017		6,123
2018		2,500
	$	97,998

(b) Leases

JDRF is also obligated under various leases for space occupied by certain Chapters. Rent expense including maintenance costs for the Chapters was $4,367 and $4,215 for the years ended June 30, 2014 and 2013, respectively.

Rental commitments for all leases are as follows:

2015	$	6,283
2016		5,755
2017		4,738
2018		3,961
2019		2,237
Thereafter		1,722
	$	24,696

Rent expense is recognized on a straight-line basis, and accordingly, a deferred rent credit has been recorded. At June 30, 2014 and 2013, a credit of approximately $2,164 and $1,780, respectively, is included in accounts payable and accrued expenses.

(c) Line of Credit

On January 23, 2013, JDRF entered into an agreement for an unsecured line of credit in the aggregate amount of $5 million. The term of the agreement expires January 29, 2015. The line of credit has not been utilized.

(d) T1D Innovations

JDRF and PureTech Ventures, a venture creation firm based in Boston, Massachusetts, have formed T1D Innovations to create and fund high-impact companies developing innovative T1D related therapies. As part of its support for this initiative, JDRF has made an initial investment of $300,000 and is obligated to provide as much as an additional $450,000 in investment capital no later than March 31, 2015. In addition, JDRF is obligated to provide a total of $5,000,000 of investment capital, less any amounts paid earlier, in certain increments over a period of ten years starting from the closing date of investment pool commitments or no later than March 31, 2015 if T1D Innovations has received capital commitments of at least $5,000,000 from other investors by March 31, 2015.

(All dollars in thousands)

(11) Net Assets

(a) Temporarily Restricted Net Assets

At June 30, 2014 and 2013, temporarily restricted net assets were available for the following purposes:

		2014	2013
Future periods, principally pledges receivable and split-interest agreements	$	35,035	22,500
Various research projects		—	5,080
	$	35,035	27,580

(b) Permanently Restricted Net Assets

At June 30, 2014 and 2013, the investment return derived from permanently restricted net assets was expendable to support:

		2014	2013
General activities	$	2,902	2,902
Research projects:			
Artificial Pancreas Project		2,000	2,000
Virginia Mason Research Center		2,185	1,898
	$	7,087	6,800

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.

(All dollars in thousands)

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

	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 appreciation	443	299	258	1,000
Appropriation for expenditure	(72)	(37)	—	(109)
Endowment net assets at June 30, 2014	$ 510	339	7,087	7,936

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets at June 30, 2012	$ 171	—	6,728	6,899
Contributions	—	—	100	100
Investment income	190	38	17	245
Net depreciation	(118)	(1)	(45)	(164)
Appropriation for expenditure	(171)	—	—	(171)
Endowment net assets at June 30, 2013	$ 72	37	6,800	6,909

(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, 2014 through October 15, 2014, the date the financial statements were available for issuance. JDRF has determined that there are no subsequent events to disclose.