

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
John Simon Guggenheim Memorial Foundation

We have audited the accompanying financial statements of John Simon Guggenheim Memorial Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 John Simon Guggenheim Memorial Foundation as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Lutz & Carr, LLP". The signature is fluid and cursive, with "Lutz" and "Carr" being more distinct and "LLP" being smaller at the end.

New York, New York

November 10, 2016

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

	2015	2014
Assets		
Cash and cash equivalents (Notes 2b and 12)	\$ 3,793,255	\$ 1,513,726
Investments (Notes 2c, 2d and 4)	255,101,174	269,099,549
Pledges receivable (Notes 2e and 5)		
Unrestricted	74,038	100,439
Restricted	-	100,000
Accrued interest and dividends receivable	115,941	119,136
Prepaid federal excise taxes (Note 10)	379,790	107,342
Prepaid expenses	95,990	125,990
Property and equipment, at cost, net of accumulated depreciation (Notes 2f and 6)	785,199	30,109
Total Assets	\$260,345,387	\$271,196,291
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses (Note 8)	\$ 735,600	\$ 741,616
Deferred lease incentive (Note 11)	763,290	19,936
Fellowship grant appropriations payable (Note 2g)	5,662,855	5,751,000
Federal excise tax payable - deferred (Note 10)	1,061,426	1,398,148
Postretirement benefit liability (Note 7)	13,551,651	10,222,606
Pension account liability (Note 7)	1,177,385	1,068,774
Total Liabilities	22,952,207	19,202,080
Commitments (Notes 4, 7 and 11)		
Net Assets		
Unrestricted	237,136,677	251,587,708
Temporarily restricted (Note 3)	256,503	406,503
Total Net Assets	237,393,180	251,994,211
Total Liabilities and Net Assets	\$260,345,387	\$271,196,291

See notes to financial statements.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Changes in Unrestricted Net Assets		
Revenue		
Interest and dividends	\$ 595,292	\$ 710,213
Unrealized appreciation (depreciation) in fair value of investments and other nontaxable (nondeductible) transactions, net of deferred federal excise tax(benefit) of \$(336,722) in 2015 and \$25,936 in 2014 (Note 10)	(14,244,190)	1,270,870
Realized net gain on sale of investments	12,048,432	7,745,428
Revenue from Limited Partnership investments, net of unrelated business income tax of \$250 in 2015 and 2014 (Note 10)	4,041,209	6,182,476
Less: Provision for current federal excise tax (Note 10)	<u>(157,552)</u>	<u>(276,358)</u>
Net investment income	2,283,191	15,632,629
Contributions	404,143	661,641
Net assets released from restrictions - program restrictions	<u>150,000</u>	<u>178,000</u>
Total Revenue	<u>2,837,334</u>	<u>16,472,270</u>
Grants and Other Expenses		
Fellowship grants and program expenses	13,537,844	13,109,233
Support services - administration and fundraising	<u>1,449,279</u>	<u>1,307,227</u>
Total Grants and Expenses	<u>14,987,123</u>	<u>14,416,460</u>
Increase (Decrease) in Net Assets Before Item Below	(12,149,789)	2,055,810
Pension and postretirement benefit related changes other than periodic benefits costs (Note 7)	<u>(2,301,242)</u>	<u>(3,314,943)</u>
Decrease in Unrestricted Net Assets	<u>(14,451,031)</u>	<u>(1,259,133)</u>
Changes in Temporarily Restricted Net Assets		
Contributions	-	6,000
Net assets released from restrictions	<u>(150,000)</u>	<u>(178,000)</u>
Decrease in Temporarily Restricted Net Assets	<u>(150,000)</u>	<u>(172,000)</u>
Decrease in net assets	(14,601,031)	<u>(1,431,133)</u>
Net assets, beginning of year, as previously reported		253,953,038
Prior period adjustment (Note 13)		<u>(527,694)</u>
Net assets, beginning of year, as restated	<u>251,994,211</u>	<u>253,425,344</u>
Net Assets, End of Year	<u>\$237,393,180</u>	<u>\$251,994,211</u>

See notes to financial statements.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities		
Decrease in net assets	\$(14,601,031)	\$ (1,431,133)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Unrealized (appreciation) depreciation in fair value of investments and other nontaxable transactions	16,836,117	(1,296,806)
Realized net gain on sale of investments	(12,048,432)	(7,745,428)
Deferred federal excise tax (benefit)	(336,722)	25,936
Deferred lease incentive	743,354	(59,809)
Depreciation	79,712	153,081
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	126,401	220,216
Accrued interest and dividends receivable	3,195	(118,945)
Prepaid federal excise taxes	(272,448)	(107,342)
Prepaid expenses	30,000	(125,990)
Prepaid pension assets	-	571,565
Increase (decrease) in:		
Accounts payable and accrued expenses	(6,016)	100,433
Fellowship grant appropriations payable	(88,145)	500,400
Federal excise tax payable	-	(85,300)
Postretirement benefit liability	3,329,045	2,240,370
Pension account liability	108,611	1,068,774
Net Cash Used By Operating Activities	(6,096,359)	(6,089,978)
Cash Flows From Investing Activities		
Purchases of investments	(34,096,234)	(86,997,212)
Sales of investments	43,306,924	75,820,517
Purchase of property and equipment	(834,802)	-
Net Cash Provided (Used) By Investing Activities	8,375,888	(11,176,695)
Net increase (decrease) in cash and cash equivalents	2,279,529	(17,266,673)
Cash and cash equivalents, beginning of year	1,513,726	18,780,399
Cash and Cash Equivalents, End of Year	\$ 3,793,255	\$ 1,513,726
Supplemental Disclosure		
Cash paid during the year for excise tax	\$ 430,000	\$ 469,000
Cash paid during the year for unrelated business income tax	\$ 250	\$ 250

See notes to financial statements.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 1 - Organization

The John Simon Guggenheim Memorial Foundation (the “Foundation”) was established in 1925 by United States Senator Simon Guggenheim and Mrs. Guggenheim as a memorial to a son who died in 1922. The Foundation offers Fellowship grants to further the development of scholars and artists by assisting them to engage in research in any field of knowledge and creation in any of the arts, under the freest possible conditions and irrespective of race, color, or creed.

Note 2 - Summary of Significant Accounting Policies

a - Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

b - Cash Equivalents

Cash equivalents represent short-term investments with original maturities of three months or less, except for those short-term investments managed by the Foundation's investment managers as part of their long-term investment strategies.

c - Investments

The Foundation reflects investments with determinable fair values at their fair value in the statement of financial position. Investment income, including unrealized gains and losses on investments, is reflected in the statement of activities.

Alternative investments, which do not have readily determinable fair values, are reported based upon the underlying net asset value per share or its equivalent as a practical expedient. Net asset value per share is estimated at fair value by the fund manager or general partner in a manner consistent with accounting principles generally accepted in the United States for investment companies. The Foundation reviews and evaluates the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the net asset values of these investments. These estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

d - Fair Value Measurements

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 2 - Summary of Significant Accounting Policies (continued)

d - Fair Value Measurements (continued)

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the assumptions developed based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

e - Contributions and Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the calendar year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible promises to give. The allowance, when necessary, is based on prior years' experience and management's analysis of specific promises made.

f - Property and Equipment

Additions to the property and equipment of the Foundation, consisting primarily of leasehold improvements, office furnishings, equipment and website, are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset.

g - Fellowship Grants

Fellowship grants are recognized as liabilities when awarded.

h - Estimates

The Foundation uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

i - Subsequent Events

The Foundation has evaluated subsequent events through November 10, 2016, the date that the financial statements are considered available to be issued.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 2 - Summary of Significant Accounting Policies (continued)

j - New Accounting Pronouncements

In May 2015, the FASB issued Accounting Standards Update ASU No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* which amends disclosure requirements of Accounting Standards Codification Topic 820, Fair Value Measurement, for reporting entities that measure the fair value of an investment using the net asset value per share (or its equivalent) as a practical expedient. The amendments remove the requirement 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 also remove the requirements 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. The ASU is effective for the fiscal years beginning after December 15, 2016, with early application permitted. The Foundation elected to adopt ASU 2015-07 as of December 31, 2015. Where appropriate, disclosures related to 2014 have been adjusted following the early adoption of the ASU 2015-07.

Note 3 - Temporarily Restricted Net Assets

In 2012, the Leon Levy Foundation renewed its award to the Foundation for four years in the amount of \$600,000. As of December 31, 2015 and 2014, \$100,000 and \$250,000, respectively, of this grant is included in temporarily restricted net assets.

Temporarily restricted net assets also include \$156,503 related to charitable gift annuity agreements at December 31, 2015 and 2014 (Note 8).

Note 4 - Investments

Equity securities and mutual funds are reported on the basis of quoted market values. Alternative investments are reported at fair value as determined by the general partners or fund managers. Capital commitment limited partnership investments are recorded at adjusted cost since a fair value cannot be readily determined. Losses have been recognized for impairment in value that is not considered temporary.

At December 31, 2015 and 2014, investments consisted of the following:

	2015		2014	
	Carrying Value	Cost	Carrying Value	Cost
Short-term investments	\$ 95,611	\$ 95,611	\$ 122,959	\$ 122,959
Cash waiting to be invested *	-	-	20,000,000	20,000,000
Equities - Domestic	2,953,607	4,778,976	-	-
Equities - international	13,048,919	16,101,825	15,457,752	16,101,825
Mutual funds	42,863,926	39,236,093	31,650,533	27,611,110
Alternative Investments				
Hedge Funds	85,998,889	59,500,000	92,170,518	60,168,596
Distressed Opportunities	<u>95,352,100</u>	<u>67,529,253</u>	<u>90,005,006</u>	<u>54,736,237</u>
Investments, carried at fair value	240,313,052	187,241,758	249,406,768	178,740,727
Capital commitment limited partnership investments, valued at adjusted cost basis	<u>14,788,122</u>	<u>18,070,587</u>	<u>19,692,781</u>	<u>25,989,081</u>
Total Investments	<u>\$255,101,174</u>	<u>\$205,312,345</u>	<u>\$269,099,549</u>	<u>\$204,729,808</u>

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 4 - Investments (continued)

- * At December 31, 2014, cash waiting to be invested represented amounts transferred to four alternative investments for investment as of January 1, 2015.

The Foundation is committed to invest \$52,210,000 in limited partnerships which make periodic capital calls. As of December 31, 2015, the Foundation had made investments as required by the partnerships of approximately \$46,000,000, leaving outstanding commitments of approximately \$6,210,000.

The following summarizes the Foundation's investments carried at fair value by the levels within the fair value hierarchy used to measure their respective fair values at December 31, where applicable:

	2015			
	Total	Level 1	Level 2	Level 3
Short-term investments	\$ 95,611	\$ 95,611	\$ -	\$ -
Equities - Domestic	2,953,607	2,953,607	-	-
Equities - International	13,048,919	13,048,919	-	-
Mutual funds	<u>42,863,926</u>	<u>42,863,926</u>	<u>-</u>	<u>-</u>
Total Assets in Fair Value Hierarchy	58,962,063	<u>\$58,962,063</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value	<u>181,350,989</u>			
Total Investments, Carried at Fair Value	<u>\$240,313,052</u>			
	2014			
	Total	Level 1	Level 2	Level 3
Short-term investments	\$ 122,959	\$ 122,959	\$ -	\$ -
Cash waiting to be invested	20,000,000	20,000,000	-	-
Equities - International	15,457,752	15,457,752	-	-
Mutual funds	<u>31,650,533</u>	<u>31,650,533</u>	<u>-</u>	<u>-</u>
Total Assets in Fair Value Hierarchy	67,231,244	<u>\$67,231,244</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value	<u>182,175,524</u>			
Total Investments, Carried at Fair Value	<u>\$249,406,768</u>			

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 4 - Investments (continued)

The alternative investments included in the Foundation's investment portfolio, valued using the net asset value, are redeemable based on the following terms and conditions at December 31, 2015:

Hedge Funds:

Quarterly redemption with 30 days notice	\$ 20,729,514
Quarterly redemption with 45 days notice	20,109,583
Quarterly redemption with 95 days notice	22,812,802
Annual redemption with 60 days notice	5,077,948
Rolling annual redemption with 45 days notice	<u>17,269,042</u>
	<u>85,998,889</u>

Distressed Opportunities:

Quarterly redemption with 65 days notice	11,443,393
Semi-annual with 60 days notice	18,575,083
Annual redemption with 45 days notice	8,388,200
Annual redemption with 90 days notice	41,764,394
Three-year rolling lockup; quarterly redemption with 60 days	5,474,626
Five-year lockup; annual redemption with 90 days notice	<u>9,706,404</u>
	<u>95,352,100</u>

\$181,350,989

* Note: Some earlier redemptions are permitted upon payment of a fee.

The following are descriptions of the investment strategies of these investments:

Hedge Funds

These hedge funds invest in equity, fixed income, and derivative investments and vary their investment strategies in response to changing market opportunities.

Distressed Opportunities

These funds invest in debt, equity, or other securities or obligations of misvalued, leveraged, or financially distressed companies and in event-oriented and other special situations.

At December 31, 2015, the Foundation's approximate ownership share of these investments range from 0.10% to 6.73%.

Note 5 - Pledges Receivable

Pledges receivable are due within one year. Uncollectible pledges are expected to be insignificant.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 6 - Property and Equipment

Property and equipment consists of the following:

	<u>Life</u>	<u>2015</u>	<u>2014</u>
Leasehold improvements	Life of lease	\$ 588,709	\$ 506,057
Computer equipment, office equipment and furniture	3-7 years	396,232	311,543
Website development costs	3 years	<u>810,172</u>	<u>810,172</u>
Less: Accumulated depreciation		1,795,113	1,627,772
		<u>1,009,914</u>	<u>1,597,663</u>
Net Book Value		<u>\$ 785,199</u>	<u>\$ 30,109</u>

During 2015, the Foundation disposed of approximately \$667,000 of fully depreciated leasehold improvements and office furniture in connection with the renovation of its office space. New improvements and furniture of approximately \$800,000 were added and will be depreciated over their estimated useful lives.

Depreciation expense for the years ended December 31, 2015 and 2014 was \$79,712 and \$153,081, respectively.

Note 7 - Employee Benefit Plans

The Foundation has a noncontributory defined benefit pension plan (the "Pension Plan") which provides retirement, disability and death benefits to all employees based on their credited service and final average pay. The Foundation's policy is to contribute the minimum amount required under ERISA.

The Foundation sponsors a defined benefit health care plan that provides postretirement medical insurance benefits to those employees hired before January 1, 2012, and who meet other eligibility requirements under the pension plan of the Foundation. The Foundation funds its post-retirement medical benefits cost on a pay-as-you-go basis.

The funded status of the defined benefit pension and other postretirement plans must be fully recognized in the statements of financial position.

Obligations and funded status at December 31 are as follows:

	<u>Pension Benefits</u>		<u>Medical Benefits</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Benefit obligation	\$(12,179,184)	\$(14,351,960)	\$(13,551,651)	\$(10,222,606)
Plan assets at fair value	<u>11,001,799</u>	<u>13,283,186</u>	-	-
Funded Status	<u><u>\$(1,177,385)</u></u>	<u><u>\$(1,068,774)</u></u>	<u><u>\$(13,551,651)</u></u>	<u><u>\$(10,222,606)</u></u>
Accumulated benefit obligation	\$(10,859,926)	\$(12,760,420)	\$(13,551,651)	\$(10,222,606)
Employer contributions	\$ -	\$ -	\$ 242,011	\$ 184,541
Plan participant contributions	\$ -	\$ -	\$ -	\$ -
Benefits paid	\$ 2,432,047	\$ 574,181	\$ 242,011	\$ 184,541

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 7 - Employee Benefit Plans (continued)

The amounts recognized in the Statements of Financial Position at December 31, 2015 and 2014 consist of:

	Pension Benefits		Medical Benefits	
	2015	2014	2015	2014
Pension liability - noncurrent	<u>\$1,177,385</u>	<u>\$(1,068,774)</u>		
Postretirement Benefit Liability				
- Current liability			<u>\$ (325,915)</u>	<u>\$ (218,720)</u>
- Noncurrent liability			<u>\$(13,225,736)</u>	<u>\$(10,003,886)</u>

Amounts recognized in the statements of activities for the years ended December 31, 2015 and 2014 consist of:

	Pension Benefits		Medical Benefits	
	2015	2014	2015	2014
Net loss (gain)	<u>\$(328,189)</u>	<u>\$1,553,950</u>	<u>\$2,544,174</u>	<u>\$1,698,031</u>
Prior service cost (credit)	<u>(3,307)</u>	<u>(18,739)</u>	<u>88,564</u>	<u>88,564</u>
Unrecognized net initial obligation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,863)</u>
Total pension and post-retirement benefit related changes other than periodic benefit cost	<u>(331,496)</u>	<u>1,535,211</u>	<u>2,632,738</u>	<u>1,779,732</u>
Net periodic benefit cost	<u>440,107</u>	<u>105,128</u>	<u>938,318</u>	<u>645,179</u>
	<u>\$108,611</u>	<u>\$1,640,339</u>	<u>\$3,571,056</u>	<u>\$2,424,911</u>

Other changes in plan assets and benefit obligations previously recognized in changes in unrestricted net assets as of December 31, 2015 and 2014 are as follows:

	Pension Benefits		Medical Benefits	
	2015	2014	2015	2014
Net gain	<u>\$1,286,825</u>	<u>\$1,615,014</u>	<u>\$6,315,911</u>	<u>\$3,771,737</u>
Prior service cost (credit)	<u>-</u>	<u>3,307</u>	<u>(362,225)</u>	<u>(450,789)</u>
Amounts Previously Recognized in Unrestricted Net Assets, Not Yet Recognized as Periodic Benefit Cost at December 31	<u>\$1,286,825</u>	<u>\$1,618,321</u>	<u>\$5,953,686</u>	<u>\$3,320,948</u>

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 7 - Employee Benefit Plans (continued)

The following weighted-average assumptions were used to determine benefit obligations at December 31:

	Pension Benefits		Medical Benefits	
	2015	2014	2015	2014
Discount rate	4.25%	4.00%	4.50%	4.25%
Rate of compensation increase	3.00%	3.00%	3.00%	3.00%

The following weighted-average assumptions were used to determine net periodic benefit cost for the years ended December 31:

	Pension Benefits		Medical Benefits	
	2015	2014	2015	2014
Discount rate	4.00%	4.75%	4.25%	5.00%
Expect return on plan assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase	3.00%	3.00%	3.00%	3.00%

For the years ended December 31, 2015 and 2014, the Pension Plan assets were invested in money market funds (5%) and the American Balanced Fund (95%), a mutual fund and a Level 1 asset. American Balanced Fund, managed by Capital Research and Management Company, seeks conservation of capital, current income and long-term growth of both capital and income by investing in stocks and fixed-income securities. The fund approaches the management of its investments as if they constituted the complete investment program of the prudent investor. The overall expected long-term rate of return on assets was determined as a result of an extensive survey of major U.S commercial banks.

No plan assets are expected to be returned to the Foundation during the year ended December 31, 2016.

As of December 31, 2015, the amount of benefits expected to be paid are as follows:

Year Ended December 31,	Pension Benefits	Medical Benefits
2016	\$ 815,770	\$ 333,000
2017	816,898	368,000
2018	869,227	404,000
2019	871,113	450,000
2020	983,639	552,000
2021-2025	4,426,575	3,435,000

As of December 31, 2015, no contributions are expected to be made to the pension plan during the year ended December 31, 2016.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 7 - Employee Benefit Plans (continued)

For medical benefits, the assumed health care cost trend rate is 7.50% for 2015, and is assumed to decrease to 4.5% by 2022 and remain at that level thereafter. This health care cost trend rate assumption has a significant effect on the amounts reported.

The "Thrift Plan for Employees of John Simon Guggenheim Memorial Foundation" (the "Thrift Plan"), a defined contribution plan, was established for eligible employees effective January 1, 1983. According to plan rules, participants electing to make voluntary contributions to the Thrift Plan are matched by the Foundation up to 3% of base compensation for the plan year. Additionally, the Foundation contributes 5% of participants' base compensation for the plan year to the Pension Mirror Fund, as specified in the Thrift Plan. The total amount contributed to the Thrift Plan was \$123,397 and \$148,046 in 2015 and 2014, respectively.

Note 8 - Charitable Gift Annuity Agreements

The Foundation receives contributions under charitable gift annuity agreements, which provide for the payment of distributions to each donor over the donor's lifetime. At the end of the term of each annuity, the remaining assets are available for the Foundation's general purposes. The portion of the assets received under each agreement attributable to the present value of the future benefits to be received by the Foundation is recorded in the Statement of Activities as a temporarily restricted contribution in the period the agreement is established. The Foundation's liability to each annuitant is determined by an actuarial valuation using applicable rates in accordance with Internal Revenue Service requirements. At December 31, 2015 and 2014, the Foundation's liability under these agreements approximated \$28,000 and \$41,000, respectively, and is included in accounts payable and accrued expenses in the Statement of Financial Position.

Note 9 - Operating Expenses

Expenses are allocated between the Fellowship Grant program and supporting services in reasonable ratios determined by the Foundation.

Note 10 - Tax Status

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, but is subject to a 1% or 2% Federal excise tax on net investment income, as defined, which includes gains realized on the sale of investments. Deferred taxes represent 2% on the unrealized appreciation in market value of investments. Also, certain investments held by the Foundation can generate unrelated business income. This income is taxed at regular corporate tax rates.

The Tax Reform Act of 1969 and subsequent amendments require that certain minimum distributions be made in accordance with a specified formula. As of December 31, 2015, the Foundation has distributed approximately \$500,000 more than the required minimum. Such excess distributions can be applied against future years' required distributions.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 11 - Lease Commitment

On September 30, 2014, the Foundation entered into a new lease agreement for its existing office space which will expire on April 30, 2031. This lease became effective at the expiration of the Foundation's previous non-cancellable lease, April 30, 2015. The lease calls for a rent free period through April 30, 2016, after which the Foundation will make minimum annual payments, excluding escalations for operating charges, as follows:

<u>Year Ended December 31,</u>	
2016	\$ 863,906
2017	1,151,874
2018	1,151,874
2019	1,151,874
2020	1,151,874
Thereafter, through April 30, 2031	12,847,559

Rental expense was \$907,803 (2015) and \$503,679 (2014).

Note 12 - Concentration of Credit Risk

The Foundation maintains its cash balances in a financial institution located in New York, New York, which at times exceeds federally insured limits.

Note 13 - Prior Period Adjustment

Unrestricted net assets as of December 31, 2013 have been restated to reflect expenses of \$527,694, which had not been previously accrued.

In addition, as of December 31, 2014, accounts payable and accrued expenses and administration and fundraising expenses have been restated to reflect additional expenses of \$98,068, which had not been previously accrued.