JDRF INTERNATIONAL

Financial Statements

June 30, 2016 and 2015

(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, 2016 and 2015, 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, 2016 and 2015, 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 11, 2016

JDRF INTERNATIONAL

Statements of Financial Position

June 30, 2016 and 2015

(In thousands)

Assets		**2016**	**2015**
Cash and cash equivalents	$	64,706	37,715
Investments (note 3)		73,180	86,180
Contributions and other receivables, net (note 6)		41,013	39,888
Prepaid expenses and other assets		4,605	3,784
Fixed assets, net (note 7)		13,590	16,474
Total assets	$	197,094	184,041
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	16,336	13,892
Research grants payable (note 9)		105,779	105,160
Deferred revenue		8,341	6,691
Liabilities related to split-interest agreements		2,743	2,818
Total liabilities		133,199	128,561
Commitments and contingencies (note 10)			
Net assets (note 11):			
Unrestricted		24,131	17,142
Temporarily restricted		32,690	31,264
Permanently restricted		7,074	7,074
Total net assets		63,895	55,480
Total liabilities and net assets	$	197,094	184,041

See accompanying notes to financial statements.

JDRF INTERNATIONAL

Statements of Activities

Years ended June 30, 2016 and 2015

(In thousands)

	2016				2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Public support and revenue:								
Public support:								
Contributions	$ 46,907	16,104	—	63,011	44,306	16,765	—	61,071
Events Revenue:								
Proceeds	153,113	—	—	153,113	151,479	—	—	151,479
Direct donor benefits	(26,852)	—	—	(26,852)	(26,527)	—	—	(26,527)
Contributions from affiliates (note 8)	8,439	—	—	8,439	13,727	—	—	13,727
Total public support	181,607	16,104	—	197,711	182,985	16,765	—	199,750
Revenue:								
Investment return, net (note 3)	(426)	38	—	(388)	(2,834)	24	(13)	(2,823)
Other	119	—	—	119	256	—	—	256
Total revenue	(307)	38	—	(269)	(2,578)	24	(13)	(2,567)
Net assets released from restrictions	14,716	(14,716)	—	—	20,560	(20,560)	—	—
Total public support and revenue	196,016	1,426	—	197,442	200,967	(3,771)	(13)	197,183
Expenses (note 5):								
Program services:								
Research, net (note 9)	96,274	—	—	96,274	91,966	—	—	91,966
Public education and advocacy	52,292	—	—	52,292	53,282	—	—	53,282
Total program services	148,566	—	—	148,566	145,248	—	—	145,248
Supporting services:								
Management and general	14,837	—	—	14,837	16,057	—	—	16,057
Fundraising	25,624	—	—	25,624	24,260	—	—	24,260
Total supporting services	40,461	—	—	40,461	40,317	—	—	40,317
Total expenses	189,027	—	—	189,027	185,565	—	—	185,565
Change in net assets	6,989	1,426	—	8,415	15,402	(3,771)	(13)	11,618
Net assets at beginning of year	17,142	31,264	7,074	55,480	1,740	35,035	7,087	43,862
Net assets at end of year	$ 24,131	32,690	7,074	63,895	17,142	31,264	7,074	55,480

See accompanying notes to financial statements.

JDRF INTERNATIONAL

Statements of Functional Expenses

Years ended June 30, 2016 and 2015

(In thousands)

2016

	Program services			Supporting services			
	Research	**Public education and advocacy**	**Total**	**Management and general**	**Fundraising**	**Total**	**Total expenses**
Research grants, net (note 9)	$ 75,084	—	75,084	—	—	—	75,084
Payroll and related expenses	13,373	33,907	47,280	9,656	17,212	26,868	74,148
Printing and promotional expenses	420	1,904	2,324	403	1,669	2,072	4,396
Office rent and related expenses, including depreciation and amortization	3,521	8,380	11,901	3,401	4,236	7,637	19,538
Meetings and conferences	1,633	2,271	3,904	509	942	1,451	5,355
Professional services	2,056	3,661	5,717	341	705	1,046	6,763
Miscellaneous	187	2,169	2,356	527	860	1,387	3,743
Total expenses	$ 96,274	52,292	148,566	14,837	25,624	40,461	189,027
Costs of direct benefits to donors							26,852
Total expenses and costs of direct benefits to donors							$ 215,879

2015

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

See accompanying notes to financial statements.

JDRF INTERNATIONAL

Statements of Cash Flows

Years ended June 30, 2016 and 2015

(In thousands)

		2016	2015
Cash flows from operating activities:			
Change in net assets	$	8,415	11,618
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Net depreciation in fair value of investments		497	3,252
Depreciation and amortization		4,177	3,731
Deferred rent credits		(244)	(198)
Changes in operating assets and liabilities:			
Contributions and other receivables		(1,125)	4,421
Prepaid expenses and other assets		(821)	225
Accounts payable and accrued expenses		2,688	(3,035)
Research grants payable		619	(32,224)
Deferred revenue		1,650	(64)
Liabilities related to split-interest agreements		(75)	406
Net cash provided by (used in) operating activities		15,781	(11,868)
Cash flows from investing activities:			
Purchase of fixed assets		(1,293)	(1,393)
Purchase of investments		(564)	(11,744)
Proceeds from sale of investments		13,067	46,292
Net cash provided by investing activities		11,210	33,155
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		26,991	21,287
Cash and cash equivalents at beginning of year		37,715	16,428
Cash and cash equivalents at end of year	$	64,706	37,715

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 to secure US and foreign government funding of T1D research which includes congressional passage each year of the Special Diabetes Program bill which provides an additional $150 million (unaudited) annually of T1D research through the National Institute of Health.

JDRF Therapeutics Fund LLC (JTF) is a limited liability company whose sole member is JDRF and was activated during the year ending June 30, 2016 and is considered a disregarded entity of JDRF. The purpose of JTF is to materially accelerate the research and development of new therapies that have the potential to provide a cure for Type 1 Diabetes (T1D) or to substantially mitigate its effects through markedly improved medical devices for use by T1D patients. JTF make grants to, invests in and enters into contracts with institutions and companies that are researching and developing T1D therapies using monies provided by JDRF and donations provided by individuals.

JDRF financial results are presented on a consolidated basis, including JDRF and JTF and eliminating inter-company transactions.

JDRF's financial statements include the accounts of JTF 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 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, 2016 and 2015.

(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.

(Continued)

Contributions received for future 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, 2016. For Charitable Gift Annuities, the assets received are held by JDRF as general assets and the annuity liability is a general obligation.

(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.

JDRF follows 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.

(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.
- 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.

(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) Reclassification

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

(In thousands)

(3) Investments

Investments at June 30, 2016 and 2015 consisted of the following:

		2016	Level 1	2015	Level 1
Cash and cash equivalents	$	105	105	151	151
Mutual funds:					
Equity, principally domestic		14,953	14,953	14,805	14,805
Fixed income, principally government		21,882	21,882	21,589	21,589
Fixed income funds		4,181	—	8,978	—
Global equity funds		8,244	—	8,993	—
Real assets funds		2,928	—	3,141	—
Hedge funds		20,887	—	28,523	—
Total investments	$	73,180	36,940	86,180	36,545

Included in investments are amounts related to Charitable Gift Annuities and Charitable Remainder Trusts totaling $2,478 and $2,454, respectively, at June 30, 2016 and $2,792 and $2,488, respectively, at June 30, 2015.

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.

Information with respect to the strategies of investments measured at NAV is as follows (amounts included are as of June 30, 2016):

Fixed income funds ($4,181) – Investments in two funds that invest in sovereign bonds – both in the United States and globally, as well as bank loans.

Global equity funds ($8,244) – 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 ($2,928) – Investments in one fund that invests in liquid energy, real estate, and natural resources equities, as well as commodities and TIPS.

Hedge funds ($20,887) – 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, 2016, these investments in NAV funds can be redeemed or sold as follows:

		Amounts
Less than a month	$	—
Monthly		15,353
Quarterly		13,004
Annually (calendar basis and investment anniversary)		7,883
	$	36,240

There were no unfunded commitments as of June 30, 2016.

The components of investment return and its classification in the statements of activities for the years ended June 30, 2016 and 2015 were as follows:

	2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Interest and dividends, net	$ 47	50	12	109
Net depreciation	(473)	(12)	(12)	(497)
	$ (426)	38	—	(388)

	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)

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 $452 and $567 for the years ended June 30, 2016 and 2015, respectively.

(Continued)

(In thousands)

(4) Retirement Plans

JDRF maintains a Tax Deferred Annuity Plan (403B) which allows employees to defer a portion of their wages for saving for retirement. This Plan was amended effective July 1, 2015 to provide an annual employer matching contribution equal to 100% of an employee's own contributions for the first 3% of annual eligible wages and 50% of the next 3% for a maximum possible contribution match of 4.5% of annual eligible earnings. To receive employer matching contributions, an eligible employee must be employed by JDRF on the last day of the Plan year. Related contribution expense for the year ended June 30, 2016 was $1,422.

JDRF also maintains a 401A Retirement Plan which was previously used by the Company to support employee retirement savings through a discretionary annual contribution to eligible employees. JDRF has redirected the majority of its support for employee retirement savings to the 403B Plan but continued to maintain the 401A Plan with reduced contribution funding throughout the 2016 fiscal year. Related contributions expense to the 401A Plan for the years ended June 30, 2016 and 2015 was $51 and $1,709, respectively.

(5) Allocation of Joint Costs

In 2016 and 2015, JDRF conducted activities, principally direct mail, that included fundraising appeals as well as program components. The joint costs incurred were allocated as follows:

		2016	2015
Public education	$	756	1,021
Management and general		128	166
Fundraising		1,211	1,659
Total	$	2,095	2,846

(6) Contributions Receivable

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

(In thousands)

Contributions and other receivables at June 30, 2016 and 2015 consisted of the following:

		2016	2015
Gross pledges receivable, due in:			
Less than one year	$	9,618	12,724
One to five years		17,872	17,116
Thereafter		40	170
		27,530	30,010
Less:			
Allowance for doubtful accounts		(1,753)	(1,317)
Unamortized discount to present value, at rates ranging from 0.28% to 5.1%		(362)	(489)
Pledges receivable, net		25,415	28,204
Other contributions receivable		10,504	7,575
Events revenues receivables		5,094	4,109
	$	41,013	39,888

At June 30, 2016 and 2015, the ten largest contributions receivable represented 31% and 28% of the total outstanding contributions and other receivables, respectively. The ten largest contributors by source represented 6% and 5% of the total gross public support for the years ending June 30, 2016 and 2015, respectively.

(7) Fixed Assets

Fixed assets at June 30, 2016 and 2015 consisted of the following:

		2016	2015
Furniture and equipment	$	25,754	24,506
Leasehold improvements		4,722	4,677
		30,476	29,183
Less accumulated depreciation and amortization		(16,886)	(12,709)
Fixed assets, net	$	13,590	16,474

(In thousands)

(8) Contributions from International Affiliates

During the years ended June 30, 2016 and 2015, JDRF received contributions from affiliates as follows:

		2016	2015
JDRF – Canada	$	3,837	6,624
JDRF – United Kingdom		2,516	2,451
JDRF – Australia		1,735	4,241
JDRF – Netherlands		250	321
JDRF – Denmark		71	—
JDRF – Israel		30	90
	$	8,439	13,727

JDRF Australia's 2016 and 2015 contributions include $0 and $1,630, 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.

(9) Research Grants Payable

Research grants payable at June 30, 2016 and 2015 consisted of the following:

		2016	2015
Amounts expected to be paid in:			
Less than one year	$	92,150	87,608
One to five years		13,695	17,602
Subtotal		105,845	105,210
Less discount to present value, at rates ranging from 0.28% to 0.45%		(66)	(50)
Total	$	105,779	105,160

Research grant expense is net of any grant refunds, reductions, or terminations. These adjustments were $8,891 and $15,499 for the years ended June 30, 2016 and 2015, respectively.

(In thousands)

(10) Commitments and Contingencies

(a) Research Grants

As of June 30, 2016, JDRF's conditional research grants commitments, including milestone contracts, of $84,176, which will be recognized in the financial statements when the conditions have been substantially met, are currently estimated to be payable as follows:

2017	$	52,910
2018		24,556
2019		4,473
2020		1,829
2021		204
2022		204
	$	84,176

(b) Leases

JDRF is also obligated under various leases for space occupied by certain chapters. Rent expense including maintenance costs for the chapters was $4,173 and $4,444 for the years ended June 30, 2016 and 2015, respectively.

Rental commitments for all leases are as follows:

2017	$	6,965
2018		6,400
2019		5,035
2020		3,055
2021		1,132
Thereafter		1,275
	$	23,862

Rent expense is recognized on a straight-line basis, and accordingly, a deferred rent credit has been recorded. At June 30, 2016 and 2015, a credit of approximately $1,722 and $1,966, 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 expires December 31, 2016. The line was not used in fiscal year 2016 and no amounts outstanding at June 30, 2016 and 2015.

(In thousands)

(11) Net Assets (Discuss change of description)

(a) Temporarily Restricted Net Assets

At June 30, 2016 and 2015, temporarily restricted net assets were available for the following purposes:

		2016	2015
Future periods, principally pledges receivable and split-interest agreements	$	26,913	29,699
Other contributions/purpose restricted		5,777	1,565
	$	32,690	31,264

(b) Permanently Restricted Net Assets

At June 30, 2016 and 2015, the investment return derived from permanently restricted net assets was expendable to support:

		2016	2015
General activities	$	2,902	2,902
Research projects:			
Artificial pancreas project		2,000	2,000
Virginia mason research center		2,172	2,172
	$	7,074	7,074

(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.

(In thousands)

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

	2016		
	Temporarily restricted	Permanently restricted	Total
Endowment net assets at June 30, 2015	$ 67	7,074	7,141
Investment income	50	12	62
Net depreciation	(12)	(12)	(24)
Appropriation for expenditure	(3)	—	(3)
Endowment net assets at June 30, 2016	$ 102	7,074	7,176

	2015		
	Temporarily restricted	Permanently restricted	Total
Endowment net assets at June 30, 2014	$ 339	7,087	7,426
Investment income	52	13	65
Net depreciation	(28)	(26)	(54)
Appropriation for expenditure	(296)	—	(296)
Endowment net assets at June 30, 2015	$ 67	7,074	7,141

(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, 2016 through October 11, 2016, the date the financial statements were available for issuance. JDRF has determined that there are no subsequent events to disclose.