The German Marshall Fund of the United States – A Memorial to the Marshall Plan and Subsidiaries

Consolidated Financial Report
May 31, 2015

Contents

Independent Auditor's Report	1-2
Financial Statements	
Consolidated balance sheet	3
Consolidated statement of activities	4
Consolidated statement of cash flows	5
Notes to consolidated financial statements	6-15

McGladrey

Independent Auditor's Report

To the Board of Trustees
The German Marshall Fund of the United States –
A Memorial to the Marshall Plan and Subsidiaries
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The German Marshall Fund of the United States – A Memorial to the Marshall Plan and Subsidiaries (GMF) which comprise the consolidated balance sheet as of May 31, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GMF as of May 31, 2015, and the change in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited GMF's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 27, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2014, is consistent, in all material aspects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2015, on our consideration of GMF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GMF's internal control over financial reporting and compliance.

McGladrey LLP

Washington, D.C.
October 9, 2015

The German Marshall Fund of the United States –
A Memorial to the Marshall Plan and Subsidiaries

Consolidated Balance Sheet
May 31, 2015
(With Comparative Totals for 2014)

	2015	2014
Assets		
Cash and Cash Equivalents		
Unrestricted	**$ 6,419,176**	$ 7,526,576
Restricted	**3,518,086**	3,522,924
Grants Receivable	**11,354,565**	12,840,871
Investments (Notes 2 and 8)	**157,112,937**	161,696,321
Property and Equipment, Net (Note 3)	**21,275,439**	21,706,738
Other Assets	**244,379**	496,640
Bond Issuance Cost, Net	**197,647**	212,831
	$ 200,122,229	$ 208,002,901
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 2,393,883**	$ 2,254,599
Deferred revenue	**6,538,839**	9,577,589
Grants payable	**746,594**	1,005,848
Bonds payable (Note 4)	**12,000,000**	12,000,000
	21,679,316	24,838,036
Commitments and Contingencies (Notes 4, 7 and 9)		
Net Assets		
Unrestricted		
Undesignated	**166,565,399**	156,553,418
Board designated (Note 5)	**-**	11,457,881
	166,565,399	168,011,299
Temporarily restricted (Note 6)	**11,877,514**	15,153,566
	178,442,913	183,164,865
	$ 200,122,229	$ 208,002,901

See Notes to Consolidated Financial Statements.

The German Marshall Fund of the United States –
A Memorial to the Marshall Plan and Subsidiaries

Consolidated Statement of Activities
Year Ended May 31, 2015
(With Comparative Totals for 2014)

	2015			
	Unrestricted	**Temporarily Restricted**	**Total**	2014 Total
Support and Revenue				
Investment income, net	**$ 10,100,157**	**$ -**	**$ 10,100,157**	$ 19,063,932
Non-federal grants and contributions	**1,693,783**	**14,448,268**	**16,142,051**	20,594,432
Federal grants	**2,386,475**	**-**	**2,386,475**	5,099,810
Gains (losses) from Foreign currency exchanges	**(774,859)**	**-**	**(774,859)**	112,532
Other	**79,265**	**-**	**79,265**	101,919
Net assets released from restrictions	**17,724,320**	**(17,724,320)**	**-**	-
Total support and revenue	**31,209,141**	**(3,276,052)**	**27,933,089**	44,972,625
Expenses				
Program services:				
Internal projects expense	**19,305,639**	**-**	**19,305,639**	22,410,180
Grant expense	**5,075,242**	**-**	**5,075,242**	6,572,917
Support services:				
Management and general	**7,469,992**	**-**	**7,469,992**	7,859,641
Fundraising	**804,168**	**-**	**804,168**	792,632
Total expenses	**32,655,041**	**-**	**32,655,041**	37,635,370
Change in net assets	**(1,445,900)**	**(3,276,052)**	**(4,721,952)**	7,337,255
Net Assets				
Beginning	**168,011,299**	**15,153,566**	**183,164,865**	175,827,610
Ending	**$ 166,565,399**	**$ 11,877,514**	**$ 178,442,913**	$ 183,164,865

See Notes to Consolidated Financial Statements.

The German Marshall Fund of the United States –
A Memorial to the Marshall Plan and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended May 31, 2015
(With Comparative Totals for 2014)

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	**$ (4,721,952)**	$ 7,337,255
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**872,311**	898,738
Amortization on bond issuance cost	**15,184**	15,707
Net realized and unrealized gains on investments	**(9,478,499)**	(15,403,544)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	**1,486,306**	2,364,079
Other assets	**252,261**	67,815
Increase (decrease) in:		
Accounts payable and accrued expenses	**139,284**	248,840
Deferred revenue	**(3,038,750)**	908,946
Grants payable	**(259,254)**	248,057
Net cash used in operating activities	**(14,733,109)**	(3,314,107)
Cash Flows From Investing Activities		
Purchases of investments	**(31,991,945)**	(29,153,648)
Proceeds from sale of investments	**46,053,828**	32,718,320
Purchases of property and equipment	**(441,012)**	(128,512)
Decrease in restricted cash	**4,838**	80,242
Net cash provided by investing activities	**13,625,709**	3,516,402
Net increase (decrease) in cash and cash equivalents	**(1,107,400)**	202,295
Cash and Cash Equivalents		
Beginning	**7,526,576**	7,324,281
Ending	**$ 6,419,176**	$ 7,526,576
Supplemental Disclosure of Cash Flow Information		
Cash payment for interest	**$ 5,191**	$ 8,407

See Notes to Consolidated Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The German Marshall Fund of the United States − A Memorial to the Marshall Plan (GMF) was incorporated on March 15, 1972, under the laws of the District of Columbia. GMF is an American institution that stimulates the exchange of ideas and promotes cooperation between the United States and Europe in the spirit of the postwar Marshall Plan.

GMF makes grants in the following areas:

- Economics
- Environment
- Foreign policy
- Immigration and integration
- Special opportunities

In May 2004, GMF formed a limited liability corporation named 1700 18th Street LLC (LLC), which was incorporated as a wholly-owned subsidiary of GMF. The purpose of LLC was to purchase a building in Washington, D.C. In June 2004, LLC purchased a building for approximately $5.9 million.

In March 2011, GMF formed a private foundation named The Transatlantic Foundation (TTF), which was incorporated in Brussels. The purpose of the Foundation is to receive European funding and to become a member of the European consortia for transatlantic research.

A summary of GMF's significant accounting policies follows:

Basis of accounting: The consolidated financial statements are prepared on the accrual basis of accounting, whereby unconditional support is recognized when received, and revenue is recognized when earned, and expenses are recognized when incurred.

Principles of consolidation: The accompanying consolidated financial statements, which include the accounts of GMF, LLC and TTF (collectively, GMF), have been consolidated in accordance with accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of presentation: The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB Accounting Standard Codification*, Financial Statements of Not-for-Profit Organizations*, GMF 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. GMF has no permanently restricted net assets at May 31, 2015.

Cash and cash equivalents: Cash and cash equivalents consist of cash on deposit, repurchase agreements, and short-term investments in money market funds. As of May 31, 2015, GMF maintained $1,314,124 in foreign bank accounts. For purposes of reporting cash flows, restricted cash and cash equivalents are excluded as they are not available for operating purposes.

Restricted cash: Under the terms of the Bond agreement, GMF placed bond proceeds in an account with the Bond Trustee. The use of this account is restricted to construction projects, as required under the Bond agreement. At May 31, 2015, cash restricted for the projects amounted to $3,518,086. This cash is invested in money market funds, and included in restricted cash in the accompanying consolidated balance sheet.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Translation of foreign currencies: Financial statements for foreign activities reflect assets and liabilities converted to U.S. dollar values at prevailing rates of exchange. Gains or losses from fluctuations of foreign exchange rates are reported in the accompanying consolidated statement of activities.

Financial risk: GMF maintains its cash in bank deposit accounts which, at times, may exceed United States federally insured limits. In addition, GMF maintains several accounts in European financial institutions. GMF has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash. GMF invests in professionally managed portfolios that contain common shares of publicly traded companies, mutual funds, and various alternative investments. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to change in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

Grants receivable: GMF receives grants from a number of organizations for various purposes. For grants that are recognized as unconditional promises to give, the receivable is recorded as support in the period during which the promise is made to GMF. For grants determined to be conditional awards or exchange transactions, recognition is made as conditions are met or revenues earned, as applicable. At May 31, 2015, grants receivable amounted to $11,354,565, of which $7,350,833, $4,001,232 and $2,500 are due within fiscal years 2016, 2017 and 2018, respectively.

Investments: Investments are carried at fair market value. Fair market value of publicly traded securities is determined using quoted market prices. Investment income or loss is included in the change in unrestricted net assets, unless the income is restricted by donor or law.

Investments in investment partnerships are valued at fair value, based on the applicable percentage ownership of the underlying partnerships' net assets as of the measurement date, as determined by GMF. In determining fair value, GMF utilizes valuations provided by the fund manager of the underlying investment partnerships. The underlying investment partnerships value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment partnerships, which may include private placements and other securities for which prices are not readily available, are determined by GMF of the respective other investment partnership and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of GMF's investments in other investment partnerships generally represents the amount GMF would expect to receive if it were to liquidate its investment in the investment partnerships excluding any liquidation costs that may apply. GMF may adjust the respective manager's valuation when circumstances support such an adjustment.

Derivative financial instruments and hedging activities: GMF invests in funds that invest in various derivative instruments (e.g., options, warrants, futures, swap contracts, etc.). Derivative instruments are typically held to advance fund investment strategies, to hedge investment risk, and to economically meet the objectives of the fund. Derivatives are recorded at fair value and the resulting gains, and losses are reflected as a component of investment income in the consolidated statement of activities.

Property and equipment: Property and equipment are reported at cost net of accumulated depreciation. GMF follows the practice of capitalizing all expenditures for property and equipment in excess of $5,000. GMF currently depreciates its assets using the straight-line depreciation method over three to five years, with no salvage value. Buildings are currently depreciated over a 40-year term using the straight-line method.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Bond issuance costs: The GMF paid certain customary fees as required to secure the bonds payable used to finance construction projects. These fees have been capitalized and are being amortized over the term of the bonds using the effective interest method. Amortization expense was $15,184 for the year ended May 31, 2015.

Valuation of long-lived assets: GMF accounts for the subsequent measurement of certain long-lived assets in accordance with subsections of the FASB Accounting Standards Codification Topic *Property, Plant and Equipment* that address *Impairment or Disposal of Long-Lived Assets*. The accounting standard requires that property, plant and equipment and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Grants payable: GMF records grant expenses to recipients and corresponding grant payable at the time an unconditional award is made/approved.

Designated net assets: The Board of Trustees established board designated net assets to fund the Balkan Trust for Democracy and Black Sea Trust activities. The designations were fully released during the year ended May 31, 2015.

Revenue recognition: Contribution revenue is recognized at the time an unconditional promise to give is received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue, depending on the existence and/or nature of any donor restrictions. Conditional contribution revenue is not recognized until conditions have been satisfied.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Temporarily restricted net assets are reported as unrestricted net assets if the restrictions are met in the same period received.

Grant funds received in advance for agreements determined to be exchange transactions are reported as deferred revenue until the revenue recognition criteria has been met.

Fair value of financial instruments: The carrying amount of cash and cash equivalents, grants receivable and payable, and accounts payable approximates fair value because of the short maturity of these financial instruments. The carrying amount of long-term debt approximates fair value, because the interest rates on these instruments fluctuate with market interest rates offered to GMF for debt with similar terms and maturities. Investments are carried at fair value.

Income taxes: GMF is recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and is currently classified as an organization that is not a private foundation within the meaning of Section 509(a) of the Code. However, the GMF is subject to income taxes on unrelated business income as defined by the Internal Revenue Service.

During the year ended May 31, 2015, GMF incurred no tax expense related to unrelated business income activities.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

LLC is a single member limited liability company for federal income tax purposes. All tax attributes flow through to GMF under this entity form. Accordingly, no provision for income taxes has been made.

TTF is a foreign nonprofit entity incorporated under the laws of Brussels, Belgium. There was immaterial activity under TTF during the year ended May 31, 2015.

According to the accounting standard for uncertainty in income taxes, for the period from the GMF's inception to May 31, 2015, no unrecognized tax provision or benefit existed. Deferred income taxes are provided using the liability method, whereby, deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences.

Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates of the date of enactment.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheet, along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Management believes there are no positions that would result in additional tax liability.

Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the consolidated statement of activities.

GMF files income tax returns in the U.S. federal jurisdiction. As of May 31, 2015, and for the year then ended, there were no material unrecognized/derecognized tax benefits or tax penalties or interest. Generally, GMF is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2012.

Use of estimates: The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior year information: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with GMF's consolidated financial statements for the year ended May 31, 2014, from which the summarized information was derived.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Subsequent events: GMF evaluated subsequent events through October 9, 2015, which is the date the consolidated financial statements were available to be issued.

Adopted accounting pronouncement: In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820); Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove 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. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. This ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted.

GMF early adopted this ASU for the year ended May 31, 2015, and applied the principle to Note 8.

Reclassification: Certain items in the May 31, 2014, summarized comparative information have been reclassified to comply with the current year presentation. These reclassifications had no effect on previously reported change in net assets or net assets.

Note 2. Investments

Investments at May 31, 2015, consist of the following:

Mutual funds – Bonds	$ 5,091,437
Mutual funds – Equities	30,453,706
Publicly Traded Equities	4,892,850
Alternative investments – Equity Funds	28,541,403
Alternative investments – Hedge Funds	32,209,268
Alternative investments – Public Natural Resources	14,194,021
Alternative investments – Private Equity	34,547,033
Alternative investments – Private Debt	3,898,093
Alternative investments – Private Real Estate	3,285,126
	$ 157,112,937

Investment income for the year ended May 31, 2015, consists of the following:

Realized and unrealized gains on investments	$ 9,478,499
Interest and dividends	1,179,857
Investment management fees	(558,199)
	$ 10,100,157

Note 3. Property and Equipment

At May 31, 2015, property and equipment consist of the following:

Building	$ 24,756,369
Furniture and fixtures	3,255,762
Land	1,237,440
	29,249,571
Less accumulated depreciation	(7,974,132)
	$ 21,275,439

Depreciation expense was $872,311 for the year ended May 31, 2015.

Note 4. Bonds Payable

On April 1, 2011, the District of Columbia (D.C.) agreed to issue its $12,000,000 aggregate principal amount Variable Rate Demand Revenue Bonds (The German Marshall Fund of the United States Issue) Series 2011 (the Bonds) and loaned the proceeds to GMF in order for GMF to finance certain costs of the renovation, improving, remodeling and equipping of its office buildings located at 1700 18th Street NW, and 1744 R. Street NW, Washington D.C. Interest rate for the Bonds are at variable rate through a remarketing process, as stipulated in the Indenture of Trust between D.C. and the Bond Trustee, unless converted to a fixed rate. The interest rate in effect at May 31, 2015, was 0.07%. Interest expense for the year ended May 31, 2015, was $5,191.

To secure the payment of principal and interest on the Bonds, GMF has obtained an irrevocable, unsecured, direct pay, $12,134,137 letter of credit from Northern Trust Bank that expires on April 21, 2016. Under the letter of credit agreement, GMF is subject to a number of covenants including a requirement to maintain a specified liquidity ratio. The annual rate for the letter of credit, payable quarterly, is 0.55%. The letter of credit is secured by a Pledge and Security Agreement, whereby GMF has granted a first lien on, and security interests in the Pledged Bonds (as defined), and interest thereupon.

Principal payment of $12,000,000 is due on June 1, 2041, subject to the possibility of earlier redemption. Optional demand redemptions are possible at each weekly interest rate reset date at the option of the holder. Mandatory tendering of bonds is required under certain specified conditions to include but not to be limited to an event of default and the expiration or termination of the letter of credit. Lastly, GMF has the option to redeem all or part of the loan prior to maturity.

Note 5. Board Designated Net Assets

The GMF Board of Directors designated a portion of the unrestricted net assets to be utilized for the Balkan Trust for Democracy and the Black Sea Trust funding. The following represents activity of this amount for the year ended May 31, 2015:

Balance, May 31, 2014	$ 11,457,881
Reclassification	11,457,881
Balance, May 31, 2015	$ -

Note 6. Temporarily Restricted Net Assets

At May 31, 2015, temporarily restricted net assets are available for the following purposes:

Transatlantic Policy Dialogue	$ 6,735,844
Democracy and Civil Society	5,141,670
	$ 11,877,514

A total of $17,724,320 was released from restrictions during the year ended May 31, 2015, as a result of satisfying the above restrictions.

Note 7. Pension Plan

Eligible employees may contribute their own savings to GMF's defined contribution retirement program (the plan) immediately upon hire. During the year ended May 31, 2015, GMF contributed an amount equal to 3% of a participant's annual salary up to the Social Security wage limit, and matched participant savings up to 7% of their annual compensation. Retirement expense was approximately $433,603 for the year ended May 31, 2015. Employer contributions for employees hired after January 1, 2014, vest over a five-year schedule.

Note 8. Fair Value Measurements

GMF has adopted the Fair Value Measurement Topic issued by the FASB. This Topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this Topic as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under this Topic are described below:

Level 1 Adjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 includes listed equities and listed derivatives. As required by this Topic, GMF does not adjust the quoted price for these investments, even in situations where GMF holds a large position and a sale could reasonably impact the quoted price.

Level 2 Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies and general and limited GMF interests in private investment funds, real estate funds, debt funds and distressed debt where fair value is not based on a net asset value practical expedient.

Note 8. Fair Value Measurements (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. GMF's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. In determining the appropriate levels, GMF performs analysis of these assets and liabilities that are subject to this Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The following table presents the restricted cash and investments carried at fair value in the consolidated balance sheet by level within the valuation hierarchy as of May 31, 2015:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Restricted cash:				
Money market funds	$ 3,518,086	$ 3,518,086	$ -	$ -
	$ 3,518,086	$ 3,518,086	$ -	$ -
Investments:				
Mutual funds				
Bond				
Short-term bond	$ 2,710,058	$ 2,710,058	$ -	$ -
Intermediate-term bond	1,336,947	1,336,947	-	-
World bond	1,044,432	1,044,432	-	-
	5,091,437	5,091,437	-	-
Equity				
Long/Short Equity	2,514,843	2,514,843	-	-
Diversified Emerging Mkts	10,386,270	10,386,270	-	-
Foreign Small/Mid Value	4,685,594	4,685,594	-	-
Large Growth	6,734,405	6,734,405	-	-
Large Value	6,132,594	6,132,594	-	-
	30,453,706	30,453,706	-	-
Equity				
Energy	3,053,348	3,053,348	-	-
Commodities Broad Basket	1,839,502	1,839,502	-	-
	4,892,850	4,892,850	-	-
	$ 40,437,993	$ 40,437,993	$ -	$ -
Alternative investments valued at net asset value (or equivalent)	116,674,944			
	$ 157,112,937			

Note 8. Fair Value Measurements (Continued)

Alternative investments are less liquid than the other investments. The following table sets forth additional disclosures of GMF's investments whose fair value is estimated using NAV per share (or its equivalent) at May 31, 2015.

Alternative Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities (a)				
Mid Cap Equity	$ 11,256,100	$ -	Monthly	30 days
International Equity	12,970,719	-	Monthly	30 days
Hedged Equity – Directional	4,314,584	-	Quarterly	60 days
	28,541,403	-		
Hedge funds (b)				
Absolute Return	6,984,996	-	Annually	65 days
CTA	5,822,672	-	Monthly	3 days
Diversified	2,513,730	-	Quarterly	60 days
Managed Futures	6,259,289	-	Monthly	3 days
Multi-Strategy	10,628,581	-	Quarterly	60-65 days
	32,209,268	-		
Natural Resources (c)				
Master Limited Partnership	3,424,185	-	Monthly	30 days
Diversified	6,268,453	1,074,906	Longer than one year	Not Applicable
Energy	4,501,383	2,513,080	Longer than one year	Not Applicable
	14,194,021	3,587,986		
Private Equity (d)				
Buyout/Venture Capital	4,178,005	260,900	Longer than one year	Not Applicable
Diversified	13,466,349	896,657	Longer than one year	Not Applicable
Special Situations	16,902,679	-	Longer than one year	Not Applicable
	34,547,033	1,157,557		
Private Debt (e)				
Distressed	2,368,226	1,199,156	Longer than one year	Not Applicable
Mezzanine	1,529,867	-	Longer than one year	Not Applicable
	3,898,093	1,199,156		
Private Real Estate (f)	3,285,126	948,503	Longer than one year	Not Applicable
	$ 116,674,944	$ 6,893,202		

Note 8. Fair Value Measurements (Continued)

(a) Equities – This category includes investments in funds that invest in domestic and international equities.

(b) Hedge Funds – This category includes investments in hedge funds that invest both long and short in various domestic and international common stocks. Management of the various funds have the ability to shift from value to growth strategies, from small to large capitalization stocks, and from a net short position to a net long position. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

(c) Natural Resources – This category includes investments in natural resources such as timber, oil or natural gas are done through limited partnerships.

(d) Private Equity Funds – This category includes several private equity funds. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the funds. As of May 31, 2015, it was probable that the investments in this category would be liquidated at an amount different from the net asset value of the Society's ownership interest in partners' capital. Therefore, the fair value of the investments in this category has been estimated using recent observable transaction information received from potential buyers of the investments. It is estimated that the underlying assets of the funds will be liquidated over five to eight years.

(e) Private Debt – This category includes several private equity funds focusing on private debt. The investment strategies of these funds focus on debt securities of companies undergoing financial distress, operating difficulties, and significant restructuring and on acquiring eligible assets, which include certain commercial mortgage-backed securities and non-agency residential mortgage-backed securities, under the Public-Private Investment Partnership, which seeks to unlock frozen credit markets and expand lending activity.

(f) Private Real Estate – This category includes investments primarily in the purchase, improvement, and/or rental of property, and indirect investments made through an entity that invests in property, such as a real estate investment trust (REIT). Real estate has a relatively new correlation with the behavior of the stock market and is often viewed as a hedge against inflation.

Note 9. Contingency

GMF participates in a number of federally-assisted grant programs, which are subject to financial and compliance audits by federal agencies or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.