HADASSAH, THE WOMEN'S ZIONIST ORGANIZATION OF AMERICA, INC. AND RELATED ENTITIES

Consolidated Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Board of Directors
Hadassah, The Women's Zionist Organization of America, Inc.:

We have audited the accompanying consolidated balance sheets of Hadassah, The Women's Zionist Organization of America, Inc. (Hadassah) and related entities (the Organization) as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 13 to the consolidated financial statements, U.S. generally accepted accounting principles were amended to require consolidation of another not-for-profit organization if a not-for-profit organization is the sole corporate member of another not-for-profit organization. The Organization does not follow this accounting principle with respect to Hadassah Medical Organization (HMO), a significant affiliate of which the Organization is the sole corporate member. Rather, the Organization records its interest in the net assets held by HMO on the equity basis of accounting. The effects of this departure from the U.S. generally accepted accounting principles are described in note 13.

In our opinion, except for the effects of not properly consolidating HMO, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hadassah, The Women's Zionist Organization of America, Inc. and related entities as of December 31, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

July 13, 2012

HADASSAH, THE WOMEN'S ZIONIST ORGANIZATION OF AMERICA, INC. AND RELATED ENTITIES

Consolidated Balance Sheets

December 31, 2011 and 2010

Assets	2011	2010
Cash and cash equivalents	$ 64,745,274	71,552,992
Accrued interest income and other receivables	3,055,131	3,663,914
Due from affiliates and other related parties (note 7)	1,494,551	1,396,442
Prepaid expenses	933,706	760,190
Contributions and bequests receivable, net (note 5)	60,984,425	58,525,484
Investments (notes 3 and 4)	347,245,822	425,926,220
Assets of trusts and other split-interest agreements held by others (note 3)	14,568,556	16,151,754
Interest in net assets held by Hadassah Medical Organization (HMO) (note 13)	501,964,144	495,315,783
Property, plant, and equipment, net (note 6)	10,909,314	11,585,183
Total assets	$ 1,005,900,923	1,084,877,962
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (note 14)	$ 10,128,844	50,002,442
Deferred revenue	2,810,504	3,081,244
Liabilities under deferred giving and annuity trust arrangements	49,557,432	49,757,477
Total liabilities	62,496,780	102,841,163
Commitments (notes 11, 13, and 15)		
Net assets:		
Unrestricted:		
Net assets held by HMO (note 13):		
Net investment in plant	635,227,280	561,027,251
Other	(178,735,805)	(75,690,822)
Other (including net investment in plant of $10,909,314 and $11,585,183 at December 31, 2011 and 2010, respectively)	151,522,351	153,486,052
Total unrestricted net assets	608,013,826	638,822,481
Temporarily restricted (notes 8 and 10):		
Net assets held by HMO (note 13)	73,177,271	93,746,408
Net assets held for HMO	138,123,839	123,826,998
Other	16,037,118	18,760,765
Total temporarily restricted net assets	227,338,228	236,334,171
Permanently restricted (notes 9 and 10):		
Net assets held by HMO (note 13)	3,043,090	3,176,106
Net assets held for HMO	86,542,852	85,864,628
Other	18,466,147	17,839,413
Total permanently restricted net assets	108,052,089	106,880,147
Total net assets	943,404,143	982,036,799
Total liabilities and net assets	$ 1,005,900,923	1,084,877,962

See accompanying notes to consolidated financial statements.

HADASSAH, THE WOMEN'S ZIONIST ORGANIZATION OF AMERICA, INC. AND RELATED ENTITIES

Consolidated Statement of Activities

Year ended December 31, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues:				
Contributions and bequests	$ 35,561,502	58,112,212	1,306,470	94,980,184
Change in value of split-interest agreements	(735,261)	(340,415)	(1,512)	(1,077,188)
Member dues	5,759,521	—	—	5,759,521
Investment return (note 4)	(4,500,528)	(2,000,161)	—	(6,500,689)
Government grants	1,205,626	—	—	1,205,626
Magazine revenue	468,681	—	—	468,681
Young Judaea programs	7,515,618	—	—	7,515,618
Other revenue (note 6)	3,142,497	—	—	3,142,497
Net assets released from restrictions (excluding HMO)	7,451,046	(7,451,046)	—	—
Total revenues	55,868,702	48,320,590	1,304,958	105,494,250
Expenses:				
Program services:				
Grants and allocations (note 11)	7,780,977	—	—	7,780,977
Community and member education	862,170	—	—	862,170
Magazine	1,825,522	—	—	1,825,522
Membership services	7,061,910	—	—	7,061,910
Communications and public affairs	2,956,146	—	—	2,956,146
Young Judaea programs	14,554,368	—	—	14,554,368
Total program services	35,041,093	—	—	35,041,093
Supporting services:				
Fund-raising	9,018,604	—	—	9,018,604
Management and general	12,567,079	—	—	12,567,079
Total supporting services	21,585,683	—	—	21,585,683
Total expenses	56,626,776	—	—	56,626,776
(Decrease) increase in net assets before other changes	(758,074)	48,320,590	1,304,958	48,867,474
Other changes:				
Net assets released from restrictions (HMO)	36,747,396	(36,747,396)	—	—
Decrease in interest in net assets held by HMO (note 13)	(66,797,977)	(20,569,137)	(133,016)	(87,500,130)
(Decrease) increase in net assets	(30,808,655)	(8,995,943)	1,171,942	(38,632,656)
Net assets at beginning of year	638,822,481	236,334,171	106,880,147	982,036,799
Net assets at end of year	$ 608,013,826	227,338,228	108,052,089	943,404,143

See accompanying notes to consolidated financial statements.

HADASSAH, THE WOMEN'S ZIONIST ORGANIZATION OF AMERICA, INC. AND RELATED ENTITIES

Consolidated Statement of Activities

Year ended December 31, 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues:				
Contributions and bequests	$ 34,406,044	41,070,860	2,386,615	77,863,519
Change in value of split-interest agreements	(3,048,682)	652,308	53,274	(2,343,100)
Member dues	1,243,844	—	—	1,243,844
Investment return (note 4)	28,556,657	10,312,861	—	38,869,518
Government grants	1,185,108	—	—	1,185,108
Magazine revenue	526,571	—	—	526,571
Young Judaea programs	7,879,910	—	—	7,879,910
Other revenue	3,070,074	—	—	3,070,074
Net assets released from restrictions (excluding HMO)	7,875,292	(7,875,292)	—	—
Total revenues	81,694,818	44,160,737	2,439,889	128,295,444
Expenses:				
Program services:				
Grants and allocations (note 11)	6,712,750	—	—	6,712,750
Community and member education	2,339,924	—	—	2,339,924
Magazine	1,996,273	—	—	1,996,273
Membership services	5,012,751	—	—	5,012,751
Communications and public affairs	2,961,025	—	—	2,961,025
Young Judaea programs	11,300,021	—	—	11,300,021
Total program services	30,322,744	—	—	30,322,744
Supporting services:				
Fund-raising	10,693,094	—	—	10,693,094
Management and general	13,992,016	—	—	13,992,016
Total supporting services	24,685,110	—	—	24,685,110
Total expenses	55,007,854	—	—	55,007,854
Increase in net assets before other changes	26,686,964	44,160,737	2,439,889	73,287,590
Other changes:				
Net assets released from restrictions (HMO)	39,939,824	(39,939,824)	—	—
Decrease in interest in net assets held by HMO (note 13)	(35,585,877)	(11,863,924)	(1,561,907)	(49,011,708)
Other (note 14)	(45,000,000)	—	—	(45,000,000)
(Decrease) increase in net assets	(13,959,089)	(7,643,011)	877,982	(20,724,118)
Net assets at beginning of year	652,781,570	243,977,182	106,002,165	1,002,760,917
Net assets at end of year	$ 638,822,481	236,334,171	106,880,147	982,036,799

See accompanying notes to consolidated financial statements.

HADASSAH, THE WOMEN'S ZIONIST ORGANIZATION OF AMERICA, INC. AND RELATED ENTITIES

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

		2011	2010
Cash flows from operating activities:			
Decrease in net assets	$	(38,632,656)	(20,724,118)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:			
Increase in interest in net assets held by HMO		(6,648,361)	(8,125,584)
Net depreciation (appreciation) in fair value of investments		10,591,217	(34,307,703)
Gain on sale of property, plant, and equipment		(771,951)	—
Depreciation		762,663	794,192
Contributions and bequests restricted for endowment		(1,306,470)	(2,386,615)
Change in value of split-interest agreements		1,077,188	2,343,100
Changes in operating assets and liabilities:			
Accrued interest income and other receivables		608,783	3,000,072
Due from affiliates and other related parties		(98,109)	(540,847)
Prepaid expenses		(173,516)	(37,316)
Contributions and bequests receivable		(2,458,941)	15,795,912
Accounts payable and accrued expenses		(39,873,598)	44,005,709
Deferred revenue		(270,740)	661,374
Net cash (used in) provided by operating activities		(77,194,491)	478,176
Cash flows from investing activities:			
Purchase of property, plant, and equipment		(203,607)	(354,457)
Proceeds from sale of property		888,764	—
Purchase of investments		(67,954,572)	(392,498,883)
Proceeds from sale of investments		136,043,753	374,879,548
Net cash provided by (used in) investing activities		68,774,338	(17,973,792)
Cash flows from financing activities:			
Contributions and bequests restricted for endowment		1,306,470	2,386,615
Increase (decrease) in liabilities under deferred giving and annuity trust arrangements, net of change in related assets		305,965	(1,906,797)
Net cash provided by financing activities		1,612,435	479,818
Net decrease in cash and cash equivalents		(6,807,718)	(17,015,798)
Cash and cash equivalents at beginning of year		71,552,992	88,568,790
Cash and cash equivalents at end of year	$	64,745,274	71,552,992
Supplemental disclosure:			
Decrease in interest in net assets of HMO	$	94,148,490	57,137,292

See accompanying notes to consolidated financial statements.

(1) Organization

Hadassah, The Women's Zionist Organization of America, Inc. (HWZOA) is a not-for-profit organization under the U.S. Internal Revenue Code 501(c)(3) and is exempt from federal income taxes under Internal Revenue Code Section 501(a). The accompanying consolidated financial statements include the accounts of HWZOA and its related entities (collectively, Hadassah or the Organization). Related entities comprise Hadassah Medical Relief Association, Inc. (HMRA), Hadassah International, Ltd. (a Bermuda corporation) (HI), The Hadassah Foundation, Inc. (Hadassah Foundation), The Hadassah Office in Israel (an Israeli not-for-profit entity), and Fabulous Finds LLC (Fabulous Finds) (a for-profit entity). As discussed in note 13, Hadassah records its interest in the net assets held by Hadassah Medical Organization (HMO) under the equity basis of accounting rather than consolidating the financial statements of HMO as required under Generally Accepted Accounting Principles in the United States of America (U.S. GAAP). HMO, located in Israel, is a provider of medical care, rehabilitation, and medical research. It is a nonsectarian institution providing state-of-the-art treatment to nearly one million patients a year at two hospitals, a community health center, and outpatient clinics. HMO has been recognized under the Israeli Income Tax Ordinance (New Version) as a "public organization" and as a "not-for-profit organization" under the Value Added Tax Law – 1975.

Hadassah, the largest women's, largest Zionist and largest Jewish membership organization in the United States, was founded in 1912 to bring public health services to prestate Israel. Today in Israel, Hadassah supports medical, educational, and youth institutions, and nature and parks development projects. In the United States, Hadassah promotes health education, community volunteerism, social action and advocacy, Jewish education, and connections with Israel.

In Israel, Hadassah supports a variety of projects principally conducted by unconsolidated affiliated entities. Hadassah College of Technology and Hadassah Academic College (Hadassah College Jerusalem) provide academic and technical college degree programs. Hadassah-supported Youth Aliyah (Youth at Risk) villages and centers provide housing, education, and support to disadvantaged Israeli and immigrant youth. Together with the Jewish National Fund, Hadassah builds parks and reservoirs, makes parks disabled-accessible, plants trees, and supports reforestation projects.

In the United States, Hadassah members are engaged in a variety of educational, advocacy, and community service initiatives. Education services include women's health seminars, programs for families to learn Jewish traditions and rituals, and Hebrew language classes. Hadassah members also help to shape public policy through advocacy work on issues, including U.S. – Israel relations, women's health, separation of church and state, discrimination issues, and privacy. In communities nationwide, Hadassah members lead volunteer programs, including literacy tutoring, holiday visits to the frail and elderly, and domestic violence education. In addition, the Hadassah Leadership Academy was formed to advance female leaders for Hadassah and in the Jewish community.

Hadassah's Zionist youth movement, Young Judaea, sponsors camps, conventions, clubs, activities, and Israel programs to connect young people of ages 8 to 24 with Israel and the Jewish community. On June 15, 2011, the HWZOA board of directors approved, subject to written agreement satisfactory to all necessary parties, the transfer of programs and activities known as "Young Judaea," which include, without limitation, Young Judaea activities and programs in the United States and Israel, Young Judaea Sprout Lake Camp, Inc., Young Judaea Inc. (d/b/a Camp Tel Yehudah), Hadassah Youth Services Amuta, and Hadassah WUJS Arad, Ltd. to an independent and separate not-for-profit corporation(s). An agreement was signed in April 2012 (see note 16).

Hadassah Foundation, founded in 1998, funds seed projects serving the needs of women and girls in the United States and Israel.

Fabulous Finds, founded in 2006, is owned by HWZOA and was created for the purpose of selling donated items on eBay.

(2) Summary of Significant Accounting Policies

The significant accounting policies followed by Hadassah are described below:

(a) Basis of Presentation

The consolidated financial statements do not include the financial position or changes in net assets of the Hadassah chapters or the international affiliates (autonomous geographical units) except as mentioned in note 1. All material intercompany transactions have been eliminated in consolidation. In addition, as discussed in note 13, the consolidated financial statements include the interest in the net assets held by HMO (departure from U.S. GAAP).

Hadassah's consolidated financial statements are prepared on the accrual basis of accounting. Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets is reported as net assets released from restrictions. Accordingly, net assets of Hadassah 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 Hadassah or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions, which stipulate that the principal be maintained permanently by the Hadassah, but permit the Organization to expend part or all of the income and gains derived therefrom.

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of these consolidated financial statements include valuation of investments at fair value, estimated net realizable value of receivables, medical malpractice liability, liabilities under deferred giving and annuity trust arrangements, salaries and related liabilities, and functional expense allocations. Actual results could differ from those estimates.

(c) Cash Equivalents

Cash equivalents consist of highly liquid debt instruments purchased with an original maturity of three months or less, except for such investments purchased by Hadassah's investment managers as part of their long-term investment strategies. At December 31, 2011 and 2010, cash equivalents consist primarily of money market instruments of approximately $64 million and $71 million, respectively.

(d) Fair Value of Financial Instruments

Hadassah follows the provisions of accounting standards for *Fair Value Measurement and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. This guidance allows, as a practical expedient, for the estimation of fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent as reported by the investment managers. In addition, because the net asset value reported by each fund is used as a practical expedient to estimate fair value of Hadassah's interest therein, its classification in Level 2 or 3 is based on Hadassah's ability to redeem its interest at or near the date of the consolidated balance sheet. If the interest can be redeemed in the near term, the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment underlying assets and liabilities.

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 at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

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 for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement.

(e) Investments

Investments in debt and readily marketable equity securities are reported at fair value based upon quoted market prices, with the exception of State of Israel Bonds, which are carried at face value and approximate fair value. Alternative investments that are not readily marketable are stated at fair value based on the net asset value reported by investment managers and general partners. Those net asset values may differ significantly from values that would have been used had a ready market for these securities existed. Hadassah reviews and evaluates the values provided by the investment managers and general partners and agrees with the valuation methods and assumptions used in determining the net asset value of these alternative investments.

(f) 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.

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 receivable, less an allowance for uncollectible amounts, are reported at their net present value. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contribution.

(g) Deferred Giving Arrangements

Hadassah enters into deferred giving agreements with donors to accept and administer charitable gift annuities, charitable remainder trusts, charitable lead trusts, unitrusts, and pooled income funds, the beneficiaries of which include Hadassah. Hadassah manages and invests these assets on behalf of these beneficiaries until the agreement expires and the assets are distributed. In addition, Hadassah is the beneficiary of other deferred giving agreements that are held and administered by others.

Such split-interest agreements provide for payments to the donors or their beneficiaries based upon either the income earned on related investments or the specified annuity amounts. Assets held under these arrangements are reported at fair value in the accompanying consolidated balance sheets as assets of trusts and other split-interest agreements held by others, except for charitable gift annuities, which are reported as investments. Contribution revenue is recognized at the date the trust or annuity contract is established after recording liabilities for the present value of the estimated future payments expected to be made to the donors and/or other beneficiaries. The liabilities are adjusted annually for changes in the life expectancy of the donor or beneficiary, amortization of the discount, and other changes in the estimates of future payments.

(h) Contributed Services

A substantial number of volunteers have donated significant amounts of their time to the Organization's fund-raising activities, programs, and administrative services. Since the criteria for recognizing revenues for contributed services have not been met, no revenue or expense has been recognized in the accompanying consolidated financial statements.

(i) Fixed Assets and Depreciation

Fixed assets are recorded at cost or fair value at date of gift if contributed.

Depreciation on fixed assets is recognized on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and building improvements	15 to 50 years
Furniture and equipment (including computer equipment)	5 to 15 years

(j) Tax Status

The Organization recognizes the effect of income tax provisions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the Organization's exempt purpose is subject to tax under Internal Revenue Code Section 511. As of December 31, 2011, the Organization does not have any uncertain tax positions or any unrelated income tax liability which would have a material impact upon its consolidated financial statements.

(k) Reclassifications

Certain reclassifications have been made to the 2010 consolidated financial information to conform to the 2011 presentation.

(3) Fair Value

At December 31, 2011 and 2010, the carrying value of Hadassah's cash and cash equivalents, receivables, accounts payable and accrued expenses, and deferred revenue approximated their fair values.

Hadassah invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets.

Hadassah's assets and liabilities at December 31, 2011 that are reported at fair value are summarized in the following table by their fair value hierarchy:

	2011			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Assets:				
Investments:				
Money market instruments	$ 3,024,654	3,024,654	—	—
Time deposits	213,344	213,344	—	—
State of Israel bonds	5,627,986	—	—	5,627,986
U.S. Treasury obligations	1,837,332	1,837,332	—	—
U.S. federal agencies – fixed income	539,480	6,004	533,476	—
Mutual funds – equity	28,985,953	28,985,953	—	—
Mutual funds – fixed income	16,822,325	16,822,325	—	—
Asset-backed debt securities	98,288	—	98,288	—
Institutional equity funds:				
United States	56,111,371	27,581,923	28,529,448	—
International	78,129,436	—	78,129,436	—
Alternative investments:				
Event-driven and distressed	82,801,501	—	45,532,562	37,268,939
Real estate	28,894,917	—	—	28,894,917
Private equity	43,956,256	—	—	43,956,256
Other	202,979	—	202,979	—
Total investments	347,245,822	78,471,535	153,026,189	115,748,098
Assets of trusts and other split-interest agreements held by others:				
Money market instruments	3,327,479	515,322	—	2,812,157
U.S. Treasury obligations	160,256	160,256	—	—
Mutual funds – equity	6,738,203	6,738,203	—	—
Mutual funds – fixed income	3,292,618	3,292,618	—	—
Real estate	1,050,000	—	—	1,050,000
Total assets held in trust by others	14,568,556	10,706,399	—	3,862,157
Total	$ 361,814,378	89,177,934	153,026,189	119,610,255

Hadassah's assets and liabilities at December 31, 2010 that are reported at fair value are summarized in the following table by their fair value hierarchy:

	2010			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Assets:				
Investments:				
Money market instruments	$ 993,597	993,597	—	—
Time deposits	213,344	213,344	—	—
State of Israel bonds	6,288,810	—	—	6,288,810
U.S. Treasury obligations	42,734,742	42,734,742	—	—
U.S. federal agencies – fixed income	3,956,168	—	3,956,168	—
Mutual funds – equity	32,335,382	32,335,382	—	—
Mutual funds – fixed income	9,598,805	9,598,805	—	—
Other debt securities:				
Corporate bonds	3,966,406	—	3,966,406	—
Collateralized mortgage obligations	16,151	—	16,151	—
Asset-backed securities	597,890	—	597,890	—
Institutional equity funds:				
United States	56,030,255	27,989,019	28,041,236	—
International	84,939,590	—	84,939,590	—
Alternative investments:				
Event-driven and distressed	94,665,959	—	34,240,364	60,425,595
Real estate	49,202,861	—	24,947,178	24,255,683
Private equity	40,170,167	—	—	40,170,167
Other	216,093	—	216,093	—
Total investments	425,926,220	113,864,889	180,921,076	131,140,255
Assets of trusts and other split-interest agreements held by others:				
Money market instruments	3,568,012	704,141	—	2,863,871
U.S. Treasury obligations	147,014	147,014	—	—
Mutual funds – equity	7,975,178	7,975,178	—	—
Mutual funds – fixed income	3,436,050	3,436,050	—	—
Real estate	1,025,500	—	—	1,025,500
Total assets held in trust by others	16,151,754	12,262,383	—	3,889,371
Total	$ 442,077,974	126,127,272	180,921,076	135,029,626

The following table presents Hadassah's activity for the years ended December 31, 2011 and 2010 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

		Money market instrument	Private equity	Real estate	Event-driven and distressed	State of Israel bonds	Total
Ending balance, December 31, 2009	$	3,210,739	29,484,181	24,978,721	69,536,375	6,003,255	133,213,271
Net appreciation (depreciation) in fair value of investments		(121,191)	4,313,170	(1,103,430)	8,228,813	—	11,317,362
Sales		(225,677)	(4,927,885)	(2,389,690)	(15,421,139)	(1,484,619)	(24,449,010)
Purchases		—	11,300,701	3,944,230	13,881,260	1,770,174	30,896,365
Transfer from Level 3 to Level 2		—	—	(148,648)	(15,799,714)	—	(15,948,362)
Ending balance, December 31, 2010		2,863,871	40,170,167	25,281,183	60,425,595	6,288,810	135,029,626
Net appreciation (depreciation) in fair value of investments		(51,714)	(619,459)	833,805	777,777	—	940,409
Sales		—	(4,833,015)	(6,531,724)	(12,987,637)	(1,366,060)	(25,718,436)
Purchases		—	9,238,563	10,361,653	3,466	705,236	20,308,918
Transfer from Level 3 to Level 2		—	—	—	(10,950,262)	—	(10,950,262)
Ending balance, December 31, 2011	$	2,812,157	43,956,256	29,944,917	37,268,939	5,627,986	119,610,255

The unrealized appreciation for Level 3 assets at December 31, 2011 and 2010 is $5,232,779 and $7,629,567, respectively. Hadassah's policy is to record transfers from Level 3 to Level 2 on the actual date of the event or change in circumstances that caused the transfer. Transfers from Level 3 to Level 2 during fiscal year 2011 were due to the expiration of the lock-up requirements as of December 31, 2011.

Alternative investments and certain institutional equity funds contain restrictions with required written notice ranging from 4 days to 90 days. In addition, certain of these investments are restricted by initial lock-up periods.

The following table summarizes the composition of alternative investments and certain institutional investment funds at fair value by the various redemption provisions as of December 31, 2011:

		Amount	Notice period
Redemption period:			
Daily:			
Institutional Equity – U.S.	$	28,529,448	4 days
Institutional Equity – International		16,682,747	6 to 90 days
Monthly:			
Institutional Equity – International		44,441,951	30 to 90 days
Quarterly:			
Institutional Equity – International		17,004,737	33 days
Alternative – Event-driven and distressed funds		30,430,666	30 to 65 days
Annual:			
Alternative – Event-driven and distressed funds		15,101,896	60 days
Lock-up:			
Alternative – Event-driven and distressed funds		37,268,939	Not applicable
Private real estate		28,894,917	Not applicable
Private equity		43,956,256	Not applicable
Total	$	262,311,557	

The amount subject to redemption restrictions is set to expire as follows:

		Amount
Year ending:		
2012	$	10,491,040
2013		12,584,658
2014		5,143,966
2015		—
2016		81,900,448
	$	110,120,112

(4) Investments

At December 31, 2011 and 2010, investments at fair value consist of the following:

		2011	2010
Money market instruments	$	3,024,654	993,597
Time deposits		213,344	213,344
State of Israel bonds		5,627,986	6,288,810
U.S. Treasury obligations		1,837,332	42,734,742
U.S. federal agencies – fixed income		539,480	3,956,168
Mutual funds – equity		28,985,953	32,335,382
Mutual funds – fixed income		16,822,325	9,598,805
Other debt securities:			
Corporate bonds		—	3,966,406
Collateralized mortgage obligations		—	16,151
Asset-backed securities		98,288	597,890
Institutional equity funds:			
U.S.		56,111,371	56,030,255
International		78,129,436	84,939,590
Alternative investments:			
Event-driven and distressed		82,801,501	94,665,959
Private equity		43,956,256	40,170,167
Real estate		28,894,917	49,202,861
Other		202,979	216,093
	$	347,245,822	425,926,220

Hadassah alternative investments follow three basic strategies, as follows:

(a) Event-Driven and Distressed

This strategy involves investing in companies experiencing significant change due to changing markets and business conditions, such as companies facing bankruptcy, or in need of capital restructuring; and, in companies whose operations can benefit by restructuring the balance sheet, typically through debt to equity conversion. Upon recovery of target company, an exit strategy is utilized, and depending on market conditions, may include sale of the company, sale of securities, or sale of assets.

This strategy may also involve purchasing severely discounted securities, such as subprime securities, asset-backed securities, collateralized debt obligations, and whole loans, against perceived intrinsic value.

(b) Private Equity

Private equity refers to equity securities that are not regulated by a governing body, such as the Securities and Exchange Commission. These securities are not publicly traded and are available only to "sophisticated" investors such as pension plans, financial institutions, endowments, and high net worth individuals. Private equity investments are generally structured as limited partnerships with the private equity fund manager serving as the general partner and the investors serving as limited partners. Private equity investments are primarily made by private equity firms, venture capital firms, or angel firms, each with their own set of goals, preferences, and investment strategies, yet each providing working capital to a target company to nurture expansion, new product development or restructuring of the company's operations' management or ownership.

(c) Real Estate

This strategy involves investing in private properties, which may include residential, retail, industrial, hotel, assisted living, and office either directly or through a diversified fund structure.

Alternative investments are less liquid than Hadassah's other investments. The following table summarizes alternative investments by investment strategy at December 31, 2011 and 2010, respectively:

Alternative investment strategy	**2011 Number of funds**	**2011 Fair value**	**2010 Number of funds**	**2010 Fair value**
Event-driven and distressed	10	$ 82,801,501	9	$ 94,665,959
Real estate	9	28,894,917	10	49,202,861
Private equity	7	43,956,256	7	40,170,167
	26	$ 155,652,674	26	$ 184,038,987

Certain limited partnerships carry minimum subscription or capital commitments. At December 31, 2011 and 2010, outstanding future capital commitments amount to approximately $27,468,000 and $40,993,000, respectively.

Investments include amounts associated with charitable gift annuities of $50,027,711 and $53,727,767 at December 31, 2011 and 2010, respectively.

Components of investment return are as follows:

	2011	**2010**
Interest and dividends	$ 5,595,144	5,430,633
Net (depreciation) appreciation in fair value of investments	(10,591,217)	34,307,703
Investment management fees	(1,458,633)	(1,388,062)
Unrelated business income tax (benefit) expense	(45,983)	519,244
Total	$ (6,500,689)	38,869,518

(Continued)

Hadassah permits certain investment managers to use nonspeculative off-balance-sheet forward foreign currency contracts to manage the currency risk inherent in owning securities denominated in foreign currencies. Such contracts involve, to varying degrees, risk of loss arising from either the potential change in market prices (market risk) or from the possible inability of the counterparties to meet the terms of their contracts (credit risk). Hadassah did not purchase or sell any foreign currencies contracts during the years ended December 31, 2011 and 2010.

(5) Contributions and Bequests Receivable

Contributions and bequests receivable consist of the following at December 31, 2011 and 2010:

		2011	2010
Amounts expected to be collected in:			
Less than one year	$	36,728,631	31,784,420
One to five years		27,331,761	8,229,305
Over five years		8,867,561	36,124,584
		72,927,953	76,138,309
Less allowance for uncollectible amounts		(9,697,081)	(13,026,470)
Less discount to net present value (1.500% – 4.875%)		(2,246,447)	(4,586,355)
	$	60,984,425	58,525,484

Of the total amounts expected to be collected in less than one year, $15,420,728 and $8,306,523 represents bequests receivable at December 31, 2011 and 2010, respectively.

Gross contributions receivable at December 31, 2011 and 2010 include amounts due from three donors for 2011 and four donors for 2010 totaling approximately $25,953,000 and $43,000,000, respectively.

(6) Property, Plant, and Equipment

At December 31, 2011 and 2010, property, plant, and equipment consist of the following:

		2011	2010
Land	$	2,001,479	2,001,479
Building and building improvements		16,113,466	16,324,891
Furnishings and equipment		6,226,734	6,175,590
Computer equipment		11,266,321	11,204,977
		35,608,000	35,706,937
Less accumulated depreciation		(24,698,686)	(24,121,754)
	$	10,909,314	11,585,183

In March 2011, Hadassah sold an apartment for a selling price of $875,000. The sale resulted in a net gain of approximately $748,000.

(7) Due from Affiliates and Other Related Parties

At December 31, 2011 and 2010, amounts due from affiliates and other related parties are as follows:

		2011	2010
Due from affiliates and other related parties:			
Young Judaea Camps (net of allowance of $1,666,894 and $1,686,894 at December 31, 2011 and 2010, respectively)	$	1,385,749	1,287,639
Other		108,802	108,803
Due from affiliates and other related parties	$	1,494,551	1,396,442

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2011 and 2010 are available for the following purposes:

		2011	2010
Purpose restricted:			
Hadassah Medical Organization (including amounts held by HMO of $73,177,271 and $93,746,408)	$	211,301,110	217,573,406
Hadassah College of Technology		966,068	1,858,274
Youth Aliyah (Youth at Risk)		3,526,259	3,664,162
Young Judaea		1,389,119	2,055,967
Israeli Crisis Campaign		1,374,165	1,374,165
Other		5,138,535	5,376,745
Time restricted:			
Deferred giving arrangements		3,642,972	4,431,452
Total temporarily restricted net assets	$	227,338,228	236,334,171

(9) Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2011 and 2010 are restricted to investment in perpetuity with investment return available to support the following:

	2011	2010
Hadassah Medical Organization (including amounts held by HMO of $3,043,090 and $3,176,106)	$ 89,585,942	89,040,734
Hadassah College of Technology	4,878,290	4,667,319
Youth Aliyah (Youth at Risk)	2,293,364	2,293,364
Young Judaea	3,279,726	3,322,452
Hadassah's greatest needs	4,413,072	4,413,072
Other	3,601,695	3,143,206
Total permanently restricted net assets	$ 108,052,089	106,880,147

(10) Endowment Funds

Hadassah's endowment consists of approximately 500 individual funds, including both donor-restricted endowment funds and amounts designated by the board of directors to function as endowments.

(a) Interpretation of Relevant Law

In 2010, New York State enacted the New York Prudent Uniform Management of Institutional Funds Act (NYPMIFA), which imposes guidelines on the management and investment of endowment funds, the provisions of which were implemented by Hadassah. The board of directors of Hadassah has interpreted NYPMIFA 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, Hadassah classifies as permanently restricted net assets (a) the original value of gifts to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted until those amounts are appropriated for expenditures by Hadassah in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the board of directors considers the following factors in making a determination to appropriate or accumulate endowment funds:

- the duration and preservation of the fund
- the purposes of Hadassah and the endowment fund
- general economic conditions
- the possible effect of inflation and deflation

- the expected total return from income and the appreciation of investments
- other resources of Hadassah
- the investment policies of Hadassah

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor-restricted amounts reported below include appreciation reported as temporarily restricted net assets (not yet appropriated for expenditures by the board) and the underwater amount of endowment funds, reported as unrestricted net assets.

The following tables represent the net asset classes of Hadassah's endowment funds as of December 31, 2011 and 2010:

	2011			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment:				
Hadassah, excluding endowment funds held by HMO	$ (7,937,497)	17,042,473	105,008,999	114,113,975
Endowment funds held by HMO	—	—	3,043,090	3,043,090
	(7,937,497)	17,042,473	108,052,089	117,157,065
Board-designated funds:				
HMRA	814,233	—	—	814,233
Hadassah Foundation	10,248,348	—	—	10,248,348
Endowment funds held by HMO	14,273,035	—	—	14,273,035
	25,335,616	—	—	25,335,616
Total endowment	$ 17,398,119	17,042,473	108,052,089	142,492,681

(Continued)

	2010			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment:				
Hadassah, excluding endowment funds held by HMO	$ (7,342,982)	19,062,314	103,704,041	115,423,373
Endowment funds held by HMO	—	—	3,176,106	3,176,106
	(7,342,982)	19,062,314	106,880,147	118,599,479
Board-designated funds:				
HMRA	826,759	—	—	826,759
Hadassah Foundation	10,580,513	—	—	10,580,513
Endowment funds held by HMO	14,871,513	—	—	14,871,513
	26,278,785	—	—	26,278,785
Total endowment	$ 18,935,803	19,062,314	106,880,147	144,878,264

The following tables present changes in endowments/board-designated funds for the years ended December 31, 2011 and 2010:

	Year ended December 31, 2011			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment/board-designated net assets, December 31, 2010	$ 18,935,803	19,062,314	106,880,147	144,878,264
Interest and dividend	81,528	962,840	—	1,044,368
Net depreciation in fair value of investments	(249,740)	(2,371,865)	—	(2,621,605)
Contributions	—	—	1,306,470	1,306,470
Interest in net assets of HMO	—	—	(133,016)	(133,016)
Decrease in board-designated for HMO	(855,452)	—	—	(855,452)
Amounts utilized for operations	(514,020)	(610,816)	—	(1,124,836)
Other	—	—	(1,512)	(1,512)
Endowment/board-designated net assets, December 31, 2011	$ 17,398,119	17,042,473	108,052,089	142,492,681

	Year ended December 31, 2010			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment/board-designated net assets, December 31, 2009	$ 13,945,346	15,158,943	106,002,165	135,106,454
Interest and dividend	55,161	698,375	—	753,536
Net appreciation in fair value of investments	4,246,069	7,634,933	—	11,881,002
Contributions	—	—	2,386,615	2,386,615
Interest in net assets of HMO	—	—	(1,561,907)	(1,561,907)
Increase in board-designated for HMO	890,327	—	—	890,327
Amounts utilized for operations	(201,100)	(4,429,937)	—	(4,631,037)
Other	—	—	53,274	53,274
Endowment/board-designated net assets, December 31, 2010	$ 18,935,803	19,062,314	106,880,147	144,878,264

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires Hadassah to retain as a fund for perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported as temporarily restricted net assets to the extent there are accumulated gains available to absorb such loss, or otherwise as unrestricted net assets. The deficiencies as of December 31, 2011 and 2010 were $7,937,497 and $7,342,982, respectively.

(c) Return Objectives and Risk Parameters

The long-term objective of the endowment fund is to preserve the real purchasing power of its assets, while maximizing grant payments and program-related funding, covering expenses, and allowing for inflation.

The investment objective of the fund is to achieve a compound annualized rate of return over a market cycle, including current interest and dividend and capital appreciation, in excess of 5% after inflation, in a manner consistent with prudent risk taking.

(d) Spending Policy

Hadassah has a policy of appropriating for distribution each year a percentage of its donor-restricted endowment funds for spending (0.51% for 2011 and 1.35% for 2010) unless explicitly stipulated by the donor or relevant law.

(11) Grants and Allocations

Grants and allocations for the years ended December 31, 2011 and 2010 are as follows:

		2011	2010
Hadassah College of Technology	$	4,651,842	3,696,043
Youth Aliyah (Youth at Risk)		978,922	968,903
Other		2,150,213	2,047,804
Total	$	7,780,977	6,712,750

In 2008, an agreement was entered into between HMO and the Israeli Government to obtain Israeli Government funding for HMO's construction of a new hospital facility (the HMO Capital Project). The agreement requires that Hadassah continue to transfer to HMO an annual regular operations allocation of at least $19 million until the completion of the HMO Capital Project. The construction is estimated to be completed by 2012. The agreement also requires Hadassah to unilaterally transfer all funds collected for the HMO Capital Project to HMO. The liability to HMO, including both the annual operations allocation and the funds collected for the HMO Capital Project, for the years ended December 31, 2011 and 2010 was $30,747,692 and $86,943,160, respectively, and was eliminated in consolidation (see note 13 for the impact of this contribution on HMO).

(12) Pension Plans

Hadassah (excluding HMO – note 13) has defined contribution pension plans for eligible nonunion and union employees for which it contributes a percentage of each participating employee's gross salary. The contributions for the years ended December 31, 2011 and 2010 were $1,028,655 and $1,108,990, respectively.

(13) Interest in Net Assets Held by HMO (Departure from GAAP)

U.S. GAAP requires consolidation of another not-for-profit organization if a not-for-profit organization is the sole corporate member of another not-for-profit organization. Hadassah does not follow this accounting principle with respect to HMO, a significant affiliate of which Hadassah is the sole corporate member. Rather, Hadassah records its interest in the net assets held by HMO on the equity basis of accounting.

(Continued)

The following tables represent the increase (decrease) in interest in net assets held by HMO for the years ended December 31, 2011 and 2010:

	2011			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Change in net assets per HMO	$ (28,844,954)	(20,569,137)	(133,016)	(49,547,107)
Elimination of intercompany revenue from Hadassah to HMO	(37,953,023)	—	—	(37,953,023)
	$ (66,797,977)	(20,569,137)	(133,016)	(87,500,130)

	2010			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Change in net assets per HMO	$ 6,265,937	(11,863,924)	(1,561,907)	(7,159,894)
Elimination of intercompany revenue from Hadassah to HMO	(41,851,814)	—	—	(41,851,814)
	$ (35,585,877)	(11,863,924)	(1,561,907)	(49,011,708)

In accordance with HMO's Articles of Association and pursuant to Section 345 of the State of Israel Companies Law, 1999 (the Companies Law), HMO is a public benefit company. Pursuant to the Companies Law, a public benefit company operates only for public purposes, its income and property are applied solely toward the objects of the public benefit company, and it is prohibited from making the distribution of profits or any other distribution to its members (the Distribution Prohibition). HMRA is the sole corporate member of the Association, and HWZOA's designees are members of the Association. HWZOA and HMRA have control over HMO and, as the controlling interest, are required to operate under requirements of the above-mentioned Articles of Association and the Distribution Prohibition.

The following represents the condensed financial information of assets, liabilities, net assets, and changes in net assets of HMO as of and for the years ended December 31, 2011 and 2010. This condensed financial information does not include temporarily and permanently restricted net assets and the changes therein (notes 8 and 9), which were raised and administered by HMRA. Accordingly, the financial information presented below does not represent a complete presentation of the financial information of HMO in accordance with U.S. GAAP and is presented to assist users of the consolidated financial statements to better understand the impact of the U.S. GAAP departure described above on the consolidated financials.

		2011	2010
Cash and cash equivalents	$	5,255,626	3,020,006
Accounts receivable for medical services (a)		99,686,474	104,487,179
Contributions receivable from HMRA (note 11)		30,747,692	86,943,160
Other assets		37,788,776	58,832,065
Marketable securities and deposits (b)		64,301,395	85,663,285
Assets on build operate transfer arrangements		28,737,232	31,488,307
Fixed assets, net (c)		635,227,280	561,027,251
Total assets	$	901,744,475	931,461,253
Suppliers and service providers	$	42,170,261	43,950,689
Salaries and related liabilities		88,282,698	84,490,561
Other accounts payable		5,631,384	9,227,952
Loans payable (g)		37,862,038	22,465,765
Employees (d and e)		110,132,605	103,384,897
Malpractice and other (f)		57,723,655	55,611,441
Liability in respect of build operate transfer arrangements		27,229,998	30,071,005
Total liabilities		369,032,639	349,202,310
Commitments and contingencies (g)			
Net assets:			
Unrestricted:			
Net investment in plant		635,227,280	561,027,251
Other		(178,735,805)	(75,690,822)
Total unrestricted net assets		456,491,475	485,336,429
Temporarily restricted (g)		73,177,271	93,746,408
Permanently restricted		3,043,090	3,176,106
Total net assets		532,711,836	582,258,943
Total liabilities and net assets	$	901,744,475	931,461,253

		2011	2010
Changes in unrestricted net assets:			
Revenues:			
Patient service revenue (a)	$	444,516,815	416,090,592
Contributions (i)		53,087,964	33,618,570
Net assets released from restrictions		90,138,817	117,859,287
		587,743,596	567,568,449
Expenses:			
Medical services		397,121,594	372,756,366
Education and research		71,527,615	74,202,627
Household and technical		67,051,648	56,274,189
Administrative services		31,558,950	28,255,159
Depreciation		30,837,390	27,348,968
		598,097,197	558,837,309
Financing (expense) income		(6,700,800)	5,534,173
Other contributions		—	244,438
Other expenses		(4,766,381)	(1,134,280)
Translation loss		(7,024,172)	(7,109,534)
(Decrease) increase in unrestricted net assets	$	(28,844,954)	6,265,937
Changes in temporarily restricted net assets:			
Research grants (h)	$	26,381,288	19,878,585
Fixed asset contributions (h)		36,431,414	75,383,811
Other contributions		6,405,070	8,774,323
Currency differentials and interest income		5,805,775	(3,859,823)
Net assets released from restrictions		(90,138,817)	(117,859,287)
Translation (loss) gain		(5,453,867)	5,818,467
Decrease in temporarily restricted net assets	$	(20,569,137)	(11,863,924)
Changes in permanently restricted net assets:			
Other	$	88,691	(1,772,715)
Translation (loss) gain		(221,707)	210,808
Decrease in permanently restricted net assets	$	(133,016)	(1,561,907)
Change in net assets	$	(49,547,107)	(7,159,894)
Beginning net assets		582,258,943	589,418,837
Ending net assets	$	532,711,836	582,258,943

(Continued)

The following represents condensed information relating to HMO's cash flow activities for the years ended December 31, 2011 and 2010:

		2011	2010
Net cash provided by operating activities	$	3,343,988	1,965,179
Net cash used in investing activities		(92,282,908)	(47,243,731)
Net cash provided by financing activities		91,174,540	44,774,584
Increase (decrease) in cash and cash equivalents		2,235,620	(503,968)
Cash and cash equivalents at beginning of year		3,020,006	3,523,974
Cash and cash equivalents at end of year	$	5,255,626	3,020,006

(a) Accounts Receivable for Medical Services

Accounts receivable for medical services consisted of the following:

		2011	2010
Contracting agencies	$	80,587,926	81,771,767
Patients		25,252,212	27,012,961
Less allowance for doubtful accounts		(6,153,664)	(4,297,549)
	$	99,686,474	104,487,179

As of December 31, 2011 and 2010, approximately 80% and 70%, respectively, of receivables are from the various "sick funds"/insurance companies in Israel and are included in contracting agencies above. Approximately 67% and 57% of HMO's patient service revenues are from "sick funds" for the years ended December 31, 2011 and 2010, respectively. The fees charged for most of HMO's medical services are under Government of Israel control.

(b) Marketable Securities and Deposits

HMO's marketable securities and deposits at cost, which approximate fair value, consist of the following at December 31, 2011 and 2010:

		2011	2010
Israeli government bonds	$	19,225,376	19,635,390
Corporate bonds		18,909,750	16,876,021
Equity securities		6,368,196	16,584,108
Bank deposits		14,808,970	17,070,442
Short-term deposits		4,989,103	15,497,324
	$	64,301,395	85,663,285

(c) Fixed Assets, Net

Property, plant, and equipment consist of the following:

		2011	2010
Land, buildings, and flats	$	803,560,695	802,970,931
Software		31,950,592	24,811,449
Equipment and vehicles		332,656,697	330,523,461
Construction in progress		214,701,546	119,526,271
		1,382,869,530	1,277,832,112
Less accumulated depreciation		(747,642,250)	(716,804,861)
	$	635,227,280	561,027,251

Fixed assets are stated at cost. Depreciation is calculated using the straight-line method. Amortization of leasehold improvements is computed over the shorter of the term of the lease or their useful life.

	Percentage
Software	10%
Motor vehicles	15%
Furniture and equipment	14% – 20%
Buildings	2%

(d) Pension and Severance Pay

HMO's liability for pension and severance pay to employees is partially covered by current deposits to the Hadassah Employees Pension Fund Ltd. (HEPF), outside pension funds, insurance companies, and severance pay funds with banks with an accrual for the remaining balance of approximately $58 million and $54 million at December 31, 2011 and 2010, respectively, which is included in long-term liabilities – employees in the balance sheet of HMO. HEPF is a participant in a multi-employer pension plan, and accordingly, expenses are recognized as payments are made to the plan.

HEPF is a long-standing fund that has accumulated actuarial deficits. These deficits stem mainly from participants' rights that are anchored in the pension agreement, extended life expectancy, and an increase in wage agreements, blocking the fund to new participants (based on a government decision from 1995) and other causes. Action has been taken during the past several decades in an effort to reduce the fund's actuarial deficits.

On May 29, 2003, a law was enacted, effectively nationalizing the long-standing pension funds that had acquired actuarial deficits. The law enacted a uniform code of regulations to replace the regulations of those long-standing funds, appointed special administrators to replace the administrative bodies of those funds, changed the investment rules, and provided government assistance. The law enabled the long-standing pension funds to remain independent funds provided, interalia, they submit, by August 1, 2003, a plan for the future. Hadassah's pension fund formulated a plan for balancing its deficit while making considerable efforts to convince the Ministry of Finance to participate in covering the deficit, but to no avail. As of August 1, 2003, the HEPF was transferred to the Ministry of Finance in 2003, and the uniform code of regulations has replaced the HEPF's regulations as of October 1, 2003.

(e) Accrued Sick Leave and Deferred Wages

HMO employees who reach retirement age are entitled to compensation for sick days not used as determined in labor agreements. The accrual has been calculated on the basis of an actuarial calculation. The total liability recorded related to these agreements was approximately $42 million at December 31, 2011 and 2010.

An agreement was signed between HMO and its employees whereby payments equal between 2% to 4% of the employees' salaries during the period from 2010 to 2011 would be deferred and paid in 2016 and 2017. The balances are linked to the consumer price index in Israel. As of December 31, 2011 and 2010, the liabilities are $10 million.

(f) Medical Malpractice

HMO provides for potential medical malpractice losses through purchased primary insurance. The current policy, which has been in place since 2004, has a deductible per event of $2 million with a limit of $5.3 million per event and $7.9 million in aggregate for all events. The present value (based on a discount rate of 3.6%) of medical malpractice liabilities approximates $56 million and $53 million at December 31, 2011 and 2010, respectively, and is included in malpractice in the balance sheet of HMO.

(g) Commitments

The major construction in progress at HMO is as follows:

In January 2009, the HMRA board of directors approved the construction of a new inpatient hospital at a total cost of approximately $300 million, which is expected to be completed by 2012. The Israeli government committed to finance approximately $34 million of the construction. The new building will house approximately 480 beds, an intensive care unit, and departmental step-down units. As of December 31, 2011 and 2010, the constructions of the project is in progress and costs of approximately $200 million and $108 million, respectively, were recorded as construction in progress.

In 2009, HMO signed a contract with a contracting company to build the inpatient hospital building for approximately $212 million (excluding soft construction cost such as demolition, excavation, and road works). Through December 31, 2011 and 2010, HMO paid the contracting company approximately $138 million and $70 million, respectively.

HMO has three loans outstanding as of December 31, 2011 and 2011 as follows:

		2011	**2010**
Short-term bank loans (interest rate 3.65 – 4.20%)	$	21,984,350	16,830,375
Long-term bank loan – Tower (1)		10,626,001	—
Long-term bank loan – Hadasit (interest rate prime +0.1%)		5,251,687	5,635,390
Total assets	$	37,862,038	22,465,765

(1) In October 2010, an agreement was entered into between HMO and a bank corporation. In accordance with this agreement, HMO will receive from the bank a loan in the amount of approximately $53 million to finance the new inpatient hospital. The term of the loan is ten years, out of which in the first two years only interest will be paid while the principal will be paid over the following eight years. The loan is linked to the CPI and bears interest of 3.15%. During the period, HMO will be charged a fee of 0.35% on the funds not used.

On June 26, 2011, both HMO and the Israeli government signed an amendment to the original May 2008 agreement between HMO and the Israeli government (note 11). Under the amendment, the Israeli government increased its funding commitment for the HMO Capital Project from the original 13.5% of the total cost of the construction or approximated $36 million, whichever is lower, to the lower of 15.0% of the total cost of the construction or $53 million. There is no additional commitment required from Hadassah under this amendment.

(h) Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted to the following:

		2011	2010
Research	$	50,724,470	52,717,950
Construction and equipment		2,397,395	9,145,957
Fellowships and awards		3,392,065	4,034,376
Social welfare		1,122,023	6,561,848
Advancement of medical services		6,034,188	6,167,089
Other		9,507,130	15,119,188
	$	73,177,271	93,746,408

(i) Related-Party Transactions

During 2011 and 2010, HMRA and HI contributions to HMO totaled $37,953,023 and $41,851,814, respectively.

(14) Accounts Payable and Accrued Expenses

In December 2008, Hadassah learned that it had been a victim of the fraudulent scheme perpetrated by Bernard L. Madoff Securities LLC (Madoff). Madoff has been placed in bankruptcy. The bankruptcy trustee (the Trustee) has informed creditors that substantially all amounts recorded in accounts with Madoff, like those of Hadassah's were worthless. The Trustee's responsibilities include the recovery of the Madoff's assets from any available sources. Under certain circumstances, the Trustee may be able to recover amounts from account holders who, like Hadassah, received direct or indirect distributions from Madoff within the six-year period prior to the date of the commencement of the bankruptcy case. Hadassah has communicated with representatives of the Trustee concerning its accounts with Madoff and on February 16, 2011, Hadassah and the Trustee reached a final nonappealable settlement in the amount of $45,000,000, which is included in accounts payable and accrued expenses in the accompanying consolidated balance sheet as of December 31, 2010. The settlement payment was made to the Trustee in March 2011.

(15) Line of Credit

In May 2011, Hadassah entered into a $25,000,000 secured revolving credit agreement, which expires in 2014. The revolving credit agreement requires collateral equal to the principal balance. The amount of collateral at December 31, 2011 is approximately $60,932,000 in a money market account with the lender. There was no amount outstanding as of and for the year ended December 31, 2011.

(Continued)

(16) Subsequent Events

(a) Young Judaea Spin-off

On April 16, 2012, HWZOA signed an agreement with Young Judaea Global, Inc, (YJG), Young Judaea Sprout Lake Camp, Inc., and Young Judaea Inc. (D/B/A Camp Tel Yehudah) to transfer various programs and activities for Jewish youth collectively known as "Young Judaea" which includes, without limitation, certain educational, cultural, and social programs, conventions, and camps in the United States (including without limitation, within Sprout Lake and Tel Yehudah) (collectively, the U.S. Programs) and in Israel (the Israel Programs).

HWZOA plans to assist YJG in its initial operations of the U.S. Programs and the Israel Programs during the first three years of its operations approximating $7,000,000.

(b) Sale of Property

In May 2012, the Board of Directors of Hadassah approved (and recommends to the members of HWZOA to approve) the sale of Hadassah House located at 50 West 58th Street for the purchase price of $71.5 million. This sale is subject to approval by the New York State Supreme Court, and the terms and conditions permit Hadassah to have the use of Hadassah House for up to three years from the date of transfer of title.