Arthritis Foundation, Inc. National Office

Financial Statements
Year Ended December 31, 2015
(with comparative information for the
year ended December 31, 2014)

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Arthritis Foundation, Inc. National Office

Contents

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Independent Auditor's Report

Board of Directors
Arthritis Foundation, Inc. National Office

We have audited the accompanying financial statements of the Arthritis Foundation, Inc. National Office, a not-for-profit organization, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Arthritis Foundation, Inc. National Office, as of December 31, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2014 financial statements of the Arthritis Foundation, Inc. National Office were audited by other auditors, whose report dated May 11, 2015 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it was derived.

BDO USA, LLP

August 23, 2016

Financial Statements

Arthritis Foundation, Inc. National Office

Statements of Financial Position

December 31,	2015	2014
Assets		
Cash and cash equivalents	**$ 7,294,136**	$ 9,498,922
Investments, at fair value	**52,635,523**	29,559,036
Due from Chartered Entities, net	**2,355,303**	2,503,042
Accounts receivable, net	**3,697,285**	1,866,855
Contributions and bequests receivable, net	**10,666,724**	7,584,502
Prepaid expenses and other assets	**1,161,862**	1,092,244
Inventory	**301,491**	405,745
Beneficial interest in perpetual trust	**12,959,579**	8,916,990
Property and equipment, net	**5,121,816**	5,434,993
Total Assets	**$ 96,193,719**	$ 66,862,329
Liabilities and Net Assets		
Liabilities		
Accounts payable	**$ 2,917,466**	$ 2,051,280
Accrued expenses and other liabilities	**4,650,949**	3,211,829
Due to Chartered Entities	**1,319,056**	-
Research awards and grants payable	**6,848,621**	4,223,566
Liabilities under split interest agreements	**8,874,309**	9,372,213
Funds held in trust for Chartered Entities	**2,754,236**	3,726,963
Debt obligations (including capital lease obligations)	**73,616**	1,422,986
Total Liabilities	**27,438,253**	24,008,837
Net Assets		
Unrestricted	**8,846,660**	9,170,676
Temporarily restricted	**25,802,462**	18,946,747
Permanently restricted	**34,106,344**	14,868,852
Total Net Assets	**68,755,466**	42,986,275
Total Liabilities and Net Assets	**$ 96,193,719**	$ 66,995,112

See the accompanying notes to the financial statements.

Arthritis Foundation, Inc. National Office

Statements of Activities

Years ended December 31,	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2015	Totals 2014
Revenues, Gains and Public Support					
Direct response marketing contributions	$ 10,566,114	$ -	$ -	$ 10,566,114	$ 12,031,610
Chartered Entities share of direct response marketing	898,495	-	-	898,495	2,950,100
Total direct response marketing	11,464,609	-	-	11,464,609	14,981,710
Corporate contributions	4,518,205	7,337,762	-	11,855,966	9,050,886
Chartered Entities share of corporate contributions	730,890	-	-	730,890	858,173
Total corporate contributions	5,249,095	7,337,762	-	12,586,856	9,909,059
Bequests/planned giving	3,632,648	2,043,940	25,057	5,701,645	1,400,976
Special events	5,398,655	-	-	5,398,655	2,384,355
Less: direct benefit costs	(830,035)	-	-	(830,035)	(375,007)
Personal gifts	329,320	218,477	-	547,797	745,507
Foundations	239,938	1,161,477	-	1,401,416	1,289,167
Memorials	38,448	200	-	38,648	17,447
Other gifts	506,153	10,495	-	516,648	125,480
Total direct public support	26,028,831	10,772,351	25,057	36,826,239	30,478,694
Chartered Entities research contributions	-	2,078,230	-	2,078,230	3,046,431
Contributed goods and services	70,307	-	-	70,307	-
Total public support	26,099,137	12,850,581	25,057	38,974,775	33,525,125
Government grants	708,910	-	-	708,910	1,297,350
Investment income	480,011	927,163	-	1,407,174	888,092
Advertising	5,451,077	-	-	5,451,077	4,709,078
Sales to the public	2,233,139	-	-	2,233,139	2,394,461
Rental income	103,760	-	-	103,760	228,421
Other income and losses	249,241	(77,847)	-	171,394	125,817
Other external revenue, gains and losses	9,226,138	849,316	-	10,075,454	9,643,219
Contribution share	4,836,654	4,994	-	4,841,648	5,759,986
Bequest share	4,244,865	78,382	-	4,323,247	11,594,582
Year round renewal - cost recovery	1,247,910	-	-	1,247,910	3,683,183
Technology fees - cost recovery	1,507,494	-	-	1,507,494	1,879,136
Sales and service fees - cost recovery	295,011	-	-	295,011	383,059
Arthritis Today - cost recovery	401,955	-	-	401,955	1,100,843
Total payments from Chartered Entities	12,533,889	83,376	-	12,617,265	24,400,789
Net assets released from restrictions	9,265,367	(9,265,367)	-	-	-
Total Revenues, Gains and Public Support	57,124,531	4,517,906	25,057	61,667,494	67,569,133
Operating Expenses					
Research	10,448,823	-	-	10,448,823	11,572,791
Public health education	24,608,462	-	-	24,608,462	25,463,483
Professional education and training	1,221,716	-	-	1,221,716	628,698
Patient and community services	9,209,111	-	-	9,209,111	8,619,549
Fundraising	7,475,463	-	-	7,475,463	6,610,008
Management and general	8,724,953	-	-	8,724,953	7,759,636
Total Operating Expenses	61,688,528	-	-	61,688,528	60,654,165
Change in net assets from operating activities	$ (4,563,997)	$ 4,517,906	$ 25,057	$ (21,034)	$ 6,914,968

(Continued)

Arthritis Foundation, Inc. National Office

Statements of Activities (continued)

Years Ended December 31,	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2015	Totals 2014
Non-operating Activities					
Unrealized and realized losses on investments	(236,142)	(2,679,171)	-	(2,915,313)	561,781
Unrealized losses on beneficial interest in perpetual trusts	-	-	(844,984)	(844,984)	(362,150)
Realized gain on the sale of building and land	2,387,975	-	-	2,387,975	-
Net assets acquired from Chartered Entities	1,495,805	3,684,061	20,057,419	25,237,285	4,324,512
Change in valuation of split interest agreements	-	1,332,919		1,332,919	(487,716)
Net change in pension liability	592,343	-	-	592,343	-
Change in net assets from non-operating activities	4,239,981	2,337,809	19,212,435	25,790,225	4,036,427
Change in Net Assets	(324,016)	6,855,715	19,237,492	25,769,191	10,951,395
Net Assets, beginning of year	9,170,676	18,946,747	14,868,852	42,986,275	32,034,880
Net Assets, end of year	$ 8,846,660	$ 25,802,462	$ 34,106,344	$ 68,755,466	$ 42,986,275

See the accompanying notes to the financial statements.

Arthritis Foundation, Inc. National Office

Statements of Functional Expenses

Years Ended December 31,	Program Services					Supporting Services			Totals	
	Research	Public Health Education	Professional Education and Training	Patient and Community Services	Total Program Services	Fundraising	Management and General	Total Supporting Services	2015	2014
Research grants and awards	$ 7,891,646	$ 44,540	$ 6,448	$ 21,627	$ 7,964,261	$ 4,132	$ 198	$ 4,330	$ 7,968,591	$ 7,043,318
Salaries	923,310	5,959,705	486,882	2,652,886	10,022,783	2,083,638	3,924,365	6,008,003	16,030,786	11,867,141
Payroll taxes	58,308	454,307	37,571	202,378	752,564	156,861	287,991	444,852	1,197,416	894,663
Employee benefits	122,006	739,935	58,380	360,144	1,280,465	255,290	731,842	987,132	2,267,597	1,209,199
Advertising commissions	-	103,838	-	-	103,838	207,676	34,613	242,289	346,127	367,063
Data processing and accounting services	99,685	318,305	53,250	137,840	609,080	100,205	812,305	912,510	1,521,590	1,367,116
Professional fees and contract services	154,174	2,292,397	93,105	928,629	3,468,305	245,990	561,453	807,443	4,275,748	4,517,455
Professional services - contributed	53,433	6,328	7,031	-	66,792	3,515	-	3,515	70,307	-
Supplies	7,660	81,762	3,870	83,935	177,227	22,802	37,321	60,123	237,350	207,748
Printing, publications and artwork	13,409	1,064,489	10,009	1,004,125	2,092,032	67,359	29,200	96,559	2,188,591	1,822,848
Materials expenses	5,148	130,272	3,328	111,130	249,878	38,656	16,347	55,003	304,881	454,147
Membership/direct response marketing	116,518	5,662,914	64,085	93,214	5,936,731	1,906,732	58,259	1,964,991	7,901,722	9,754,041
Specific assistance to individuals	-	-	-	58,750	58,750	-	-	-	58,750	50,030
Fulfillment	3,493	288,702	5,822	235,919	533,936	2,329	3,881	6,210	540,146	605,377
Postage, shipping and delivery	6,283	1,204,715	2,995	1,208,290	2,422,283	20,860	33,972	54,832	2,477,115	2,327,144
Telephone	31,788	132,467	28,438	91,862	284,555	72,115	395,121	467,236	751,791	557,530
Occupancy	140,807	597,568	33,791	324,803	1,096,969	178,258	166,618	344,876	1,441,845	590,490
Insurance	58,682	129,719	3,089	43,240	234,730	33,974	40,151	74,125	308,855	235,582
Staff travel	43,775	343,375	23,548	169,584	580,282	155,924	162,304	318,228	898,510	645,715
Volunteer travel and leadership development	39,493	201,364	16,372	376,188	633,417	19,942	16,025	35,967	669,384	446,581
Meetings and conferences	81,322	389,236	47,661	416,887	935,106	81,444	71,045	152,489	1,087,595	623,809
Equipment lease and maintenance	30,835	151,865	28,075	108,399	319,174	71,354	372,687	444,041	763,215	639,338
Membership dues and subscriptions	41,893	71,654	6,354	20,675	140,576	22,607	28,722	51,329	191,905	138,279
Advertising	2,995	103,567	1,592	73,816	181,970	48,389	24,918	73,307	255,277	291,917
Miscellaneous	79,389	273,912	11,204	124,008	488,513	75,832	193,357	269,189	757,702	423,248
Depreciation	99,375	219,672	5,230	73,224	397,501	57,533	67,994	125,527	523,028	419,380
Uncollectible receivables	640	49,104	34	13,984	63,762	68,721	11,830	80,551	144,313	56,186
Payments to Chartered Entities	342,756	3,592,752	183,552	273,574	4,392,634	1,473,325	642,432	2,115,757	6,508,391	13,098,820
Total Operating Expenses	$ 10,448,823	$ 24,608,464	$ 1,221,716	$ 9,209,111	$ 45,488,114	$ 7,475,463	$ 8,724,951	$ 16,200,414	$ 61,688,528	$ 60,654,165

See the accompanying notes to the financial statements.

Arthritis Foundation, Inc. National Office

Statements of Cash Flows

Years Ended December 31,		**2015**		2014
Cash flows from operating activities				
Change in net assets	**$**	**25,769,191**	$	10,951,395
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:				
Gain on the sale of property		**(2,387,975)**		-
Depreciation		**523,028**		419,380
Net realized and unrealized loss (gain) on investments		**2,915,313**		(561,781)
Contributions restricted for long-term investment		**(25,057)**		(200,000)
Change in operating assets and liabilities:				
Due from Chartered Entities		**1,599,568**		2,344,701
Accounts receivable		**(1,830,420)**		13,051
Contributions and bequests receivable		**(3,082,222)**		(2,050,685)
Prepaid expenses and other assets		**(69,618)**		249,533
Inventory		**104,254**		63,354
Beneficial interests in perpetual trusts		**(4,042,589)**		362,150
Accounts payable		**866,186**		(1,183,021)
Accrued expenses and other liabilities		**1,439,120**		411,209
Research awards and grants payable		**2,625,055**		17,343
Liabilities under split interest agreements		**(497,904)**		(508,556)
Funds held in trust for Chartered Entities		**(972,727)**		(404,892)
Net cash provided by operating activities		**22,933,203**		9,923,181
Cash flows from investing activities:				
Contributions restricted for long-term investment		**25,057**		200,000
Purchase of property and equipment		**(4,821,876)**		(781,868)
Proceeds from sale of property and equipment		**7,000,000**		87,296
Purchase of investments		**(42,047,140)**		(13,664,802)
Proceeds from sale of investments		**16,055,340**		11,571,321
Net cash used in investing activities		**(23,788,619)**		(2,588,053)
Cash flows from financing activities:				
Payments on long-term debt		**(1,120,466)**		(383,047)
Payments on capital lease obligations		**(228,904)**		(280,532)
Net cash used in financing activities		**(1,349,370)**		(663,579)
Net (decrease) increase in cash and cash equivalents		**(2,204,786)**		6,671,549
Cash and cash equivalents, beginning of year		**9,498,922**		2,827,373
Cash and cash equivalents, end of year	**$**	**7,294,136**	$	9,498,922
Supplemental Information:				
Interest paid	**$**	**20,452**	$	85,286
Net assets acquired (Note 3)				
Fair value of assets acquired	**$**	**27,019,061**	$	5,932,125
Liabilities assumed		**(1,781,776)**		(1,607,613)
	$	**25,237,285**	$	4,324,512

See the accompanying notes to the financial statements.

1. Description of Organization

Arthritis Foundation, Inc. National Office (the "National Office") is a not-for-profit Georgia corporation and voluntary health agency seeking to improve lives through leadership in the prevention, control and cure of arthritis and arthritis-related diseases. Major funding sources are from direct public contributions and bequests. The National Office provides public health education and community service programs along with supporting arthritis-related research and influencing public policy regarding research funding, access to care and government funding of arthritis-related public health programs.

The Arthritis Foundation is composed of a National Office (a not-for-profit Georgia corporation) and Chartered Entities located throughout the United States. The Chartered Entities are affiliated with the National Office via separate charter agreements. The charter agreements impose certain obligations on the Chartered Entities including adhering to national policies and sharing revenue. The Arthritis Foundation operates under a single Section 501(c)3 of the Internal Revenue Code ("IRC") group exemption. Each chartered entity is a separate legal corporation and files its own IRS Form 990.

On May 1, 2014, the National Office acquired the assets and liabilities, and assumed the service responsibilities for the areas covered by the former Arthritis Foundation, Inc., Southeast Region and the Arthritis Foundation, Inc., Upper Midwest Region.

On January 1, 2015, the National Office acquired the assets and liabilities, and assumed the service responsibilities for the areas covered by the former Arthritis Foundation, Inc., Mid-Atlantic Region and the Arthritis Foundation, Inc., Florida Chapter. Both entities have continued to operate as divisions of the National Office.

Subsequent to December 31, 2015, the National Office acquired the assets and liabilities, and received the charter agreements for all remaining Chartered Entities as follows:

> January 1, 2016: the Arthritis Foundation, Inc., New England Region and the Arthritis Foundation, Inc., South Central Region.
>
> April 1, 2016: the Arthritis Foundation, Inc., Great Lakes Region, the Arthritis Foundation, Inc., Great West Region, and the Arthritis Foundation, Inc., Heartland Region.
>
> July 1, 2016: the Arthritis Foundation, Inc., Pacific Region and the Arthritis Foundation, Inc., Northeast Region.

These entities will continue to operate as divisions of the National Office subsequent to the acquisition dates.

Through these acquisitions, the National Office seeks to achieve additional economies of scale and other synergies by integrating its service offerings with those provided by the former Chartered Entities and centralizing certain administrative functions.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The National Office classifies its net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the National Office and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the National Office and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the National Office maintain them permanently. Generally, the donors of these assets permit the National Office to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Operating results in the statements of activities reflect all transactions increasing and decreasing net assets except those that the National Office defines as non-operating. Non-operating includes all investment returns in excess of those classified as operating by the spending policy, unrealized gains and losses from operating accounts, unrealized gains and losses on beneficial interests in perpetual trusts, changes in valuation of split interest agreements, and net changes in pension liabilities.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such financial information should be read in conjunction with the National Office's financial statements as of and for the year ended December 31, 2014 from which the summarized financial information was derived.

Concentrations of Risk

Financial instruments which potentially subject the National Office to concentrations of credit and market risk consist principally of cash and cash equivalents and marketable securities held at financial institutions. At December 31, 2015, the National Office's uninsured cash balance totaled $5,267,129. Cash and cash equivalents are maintained at large multi-state financial institutions and credit exposure is limited to the amount of deposits at any one institution in excess of the federally insured limit. The National Office has not experienced any losses in such accounts. The National Office's marketable securities do not represent significant concentrations of market risk as the marketable securities portfolio is diversified among a variety of issuers.

Investment securities and real estate held as investments that are not publicly traded are exposed to several risks, such as interest rate, market, liquidity and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of these investments will occur in the near term and that such change could materially affect the amounts reported in the National Office's statement of financial position and statement of activities.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with an original maturity of three months or less at the date of purchase. Because of the short maturity of these financial instruments, the carrying value approximates the fair value.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair value. The cost assigned to investments received by gift is the fair value at the date the gift is received. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on cost (cost of securities if purchased or the fair market value at the date of gift if received by donation). Dividend and interest income is recorded on the accrual basis. In accordance with the policy of stating investments at fair value, the net change in unrealized appreciation or depreciation for the year is reflected in the statement of activities.

Accounts Receivable

Accounts receivable consist of exchange transactions primarily related to government grants and sales and service fees and are stated at unpaid balances, less an allowance for doubtful accounts when deemed necessary. Receivables are written off when management believes they will not be collected. Amounts are considered past due if they are not received within one year after the expected payment date.

Contributions and Bequests Receivable

Contributions, including unconditional promises to give, are recorded at the date of gift. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable in amount. Long-term promises to give are initially recorded at fair value using the income approach using discount rates commensurate with the risk involved at the date of donation. An allowance for doubtful accounts on outstanding contributions receivable balances is recorded when deemed necessary based upon historical trends, current market risk assessments and specific donor considerations. Receivables are written off when management believes they will not be collected. Amounts are considered past due if they are not received within one year after the expected payment date.

Conditional promises to give are not included as support until the conditions are substantially met. There were no conditional promises to give during the years ended December 31, 2015 and 2014.

Inventory

Inventory consists of educational and campaign materials which are stated at lower of cost or market. Cost is determined by the weighted average method.

Split Interest Agreements

The National Office's split interest agreements are recorded as follows:

Charitable Gift Annuities and Other Split Interest Agreements under which the National Office is the Trustee - Such amounts are valued at the date of donation using the income method and discount rates commensurate with the risks involved. Discount rates range from three to ten percent. Charitable gift annuities are amortized over their life although changes may be made based on a change in the life expectancy of the donor. Gift annuity assets are included in investments and amounts due to the donor are included in liabilities under split interest agreements.

Split Interest Gifts Held by Other - Such amounts are included with other contributions receivable on the statement of financial position. These gifts which benefit not only the National Office, but other beneficiaries as designated by the donor, are carried at fair value with the changes recorded as a component of temporarily restricted income.

Beneficial Interests in Perpetual Trusts - The National Office is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the National Office. The National Office has legally enforceable rights or claims to such assets including the right to income therefrom. Under the perpetual trust arrangement, the National Office has recorded the asset and recognized permanently restricted contribution revenue at the fair value of its beneficial interest in the trust assets. Distributions received on the trust assets are recorded as investment income in the statement of activities unless otherwise restricted by the donor. Subsequent changes in fair value of the beneficial interest in the trust assets are recorded as net unrealized gains or losses on beneficial interest in perpetual trusts in the permanently restricted net asset class.

Funds Held in Trust by Others - Included in funds held in trust by others are split interest agreements not managed by the National Office.

Property and Equipment

Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair market value at date of receipt. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. The cost of maintenance and repairs is expensed when incurred; significant renewals and betterments are capitalized. Estimated useful lives are ten to thirty years for property and equipment, the lesser of the lease term or three to ten years for leasehold improvements and three to five years for furniture and other equipment.

Impairment of Long-Lived Assets

The National Office reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced to its current fair value.

Fair Value of Financial Instruments

The carrying amounts of cash and accounts receivable which qualify as financial assets and accounts payable and accrued expenses which qualify as financial liabilities approximate fair value due to the relative terms of these financial instruments.

The carrying values, which approximate fair value, of investments, beneficial interests in trusts, and investments in remainder interest trusts are determined as described in Note 6.

The carrying amount of the notes payable approximates fair value since they bear interest at variable rates which approximate current market rates for notes with similar maturities and credit quality. The carrying amounts of annuities payable and contributions receivable approximate fair value since these instruments are recorded at net present value.

Arthritis Foundation, Inc. Awards and Grants

Awards and grants are recorded as expenses in the year in which the award is made. The terms of research awards and grants are from one to three years with continuation of grants subject to certain performance requirements.

Functional Allocation

The costs of providing the National Office’s various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributed Goods and In-Kind Services

Contributed goods and services are reflected as both contribution revenue and expenses in the accompanying statement of activities at their estimated fair value at date of receipt. Existing contributed goods and gifts of property and equipment are reflected as unrestricted support unless explicit donor stipulations specify how the donated goods must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the National Office reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The National Office receives services from a large number of volunteers who give significant amounts of their time to the National Office's programs, fundraising campaigns and management. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided. Generally such services include research grant application reviews, advertising, consulting, and printing services and other services that meet the criteria for recognition as contributed services. The amount of donated services and assets recorded as revenue and expense was $70,307 and $0 for the years ended December 31, 2015 and 2014, respectively.

Use of Estimates

Management of the National Office has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with GAAP. Actual results could differ from these estimates.

Reclassifications

Certain reclassifications have been made to the 2014 balances to conform to the 2015 presentation.

Recent Accounting Pronouncements

In August 2014, the Federal Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). The amendments in ASU 2014-15 are intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. Under U.S. GAAP, financial statements are prepared under the presumption that the reporting organization will continue to operate as a going concern, except in limited circumstances. The going concern basis of accounting is critical to financial reporting because it establishes the fundamental basis for measuring and classifying assets and liabilities. Currently, GAAP lacks guidance about management's responsibility to evaluate whether there is substantial doubt about the organization's ability to continue as a going concern or to provide related footnote disclosures. This ASU provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. This standard is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. The National Office does not anticipate that the ASU will have a material impact to the financial statements.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) ("ASU 2015-07"),* which 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. The amendments in ASU 2015-07 are effective for an entity's interim and annual reporting periods in fiscal years that begin after December 15, 2016. Early adoption is permitted. The National Office anticipates that the ASU will change the presentation of certain investments.

In June 2015, FASB issued ASU 2015-10, *Technical Corrections and Improvements*, which clarified guidance related to expiration of donor-imposed restriction. The amendment to the accounting guidance focuses on the accounting for situations involving two temporary restrictions - a purpose and time restriction that were specified by the donor. The new guidance indicates that when a purpose restriction has been satisfied, the time restriction may be released. The new guidance is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The National Office does not anticipate that the ASU will have a material impact to the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, *Revenue from Contracts with Customers*. ASU 2016-02 is effective for annual periods beginning after December 15, 2019. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The National Office is currently evaluating the impact of adopting this ASU on the financial statements.

3. Acquisition of the Mid-Atlantic Region and Florida Chapter

As noted in Note 1, the National Office acquired the assets and liabilities, and the service responsibilities for the areas covered by the former Arthritis Foundation, Inc., Mid-Atlantic Region and the Arthritis Foundation, Inc., Florida Chapter. This acquisition was effective on January 1, 2015. Per the guidance in ASC 958, *Business Combinations*, these acquisitions resulted in an inherent contribution to the National Office. The net assets acquired are reflected in the non-operating section of the Statement of Activities.

The following is a summary of the assets and liabilities of the Mid-Atlantic Region that were transferred to the National Office on January 1, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Assets				
Investments	$ 40,543	$ 2,412,147	$16,685,664	$ 19,138,354
Contributions and bequests receivable	507,284	-	-	507,284
Prepaid expenses	76,515	-	-	76,515
Property and equipment, net	20,188	-	-	20,188
Beneficial interests in perpetual trusts	-	-	1,120,190	1,120,190
Total Assets	$ 644,530	$ 2,412,147	$17,805,854	$ 20,862,531
Liabilities				
Accounts payable	$ 81,872	$ -	$ -	$ 81,872
Accrued expenses and other liabilities	81,231	-	-	81,231
Due to (from) other funds	113,418	(100,281)	(13,137)	-
Due to National Office	389,355	-	-	389,355
Total Liabilities	665,876	(100,281)	(13,137)	552,458
Net Assets	$ (21,346)	$ 2,512,428	$17,818,991	$ 20,310,073

The following is a summary of the assets and liabilities of the Florida Chapter that were transferred to the National Office on January 1, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Assets				
Cash and cash equivalents	$ (84,452)	$ 342,000	$ -	$ 257,548
Investments	91,228	623,594	499	715,321
Contributions and bequests receivable	962,054	78,573	-	1,040,627
Prepaid expenses	22,593	-	-	22,593
Funds held in trust by others	-	127,465	670,000	797,465
Property and equipment, net	1,755,048	-	-	1,755,048
Beneficial interests in perpetual trusts	-	-	1,567,928	1,567,928
Total Assets	$ 2,746,471	$ 1,171,632	$ 2,238,427	$ 6,156,530
Liabilities				
Accounts payable	$ 5,954	$ -	$ -	$ 5,954
Accrued expenses and other liabilities	995,724	-	-	995,724
Due to National Office	227,640	-	-	227,640
Total Liabilities	$ 1,229,318	$ -	$ -	$ 1,229,318
Net Assets	$ 1,517,153	$ 1,171,632	$ 2,238,427	$ 4,927,212

4. Related Party Transactions

The National Office receives, as public support, a share of contributions and bequests received by the Chartered Entities. Pursuant to a sharing formula, the National Office's share of contributions and bequests ranges from 27% to 45% and is comprised of the following:

Years Ended December 31,	**2015**	2014
Membership/direct response marketing share	**$ 898,494**	$ 2,950,100
Organization-wide corporate contribution share	**730,890**	858,173
Contribution share	**4,836,654**	5,759,986
Bequest share	**4,244,865**	11,594,582
Total	**$ 10,710,903**	$ 21,162,841

The National Office also allocates a portion of certain contributions it receives from the public to the Chartered Entities net of share expense.

Share expense is comprised of the following:

Years Ended December 31,	**2015**	2014
Membership/direct response marketing share	**$ 3,327,757**	$ 9,821,817
Corporate share	**3,128,108**	3,178,817
Awards and grants	**129,680**	98,186
Total	**$ 6,585,545**	$ 13,098,820

Chartered Entities reimburse the National Office a portion of costs associated with Arthritis Today, the organization's magazine, its direct mail program, computer system support, financial services and educational promotional materials which totaled $3,452,370 and $7,046,221 in 2015 and 2014, respectively.

Amounts due to and from the Chartered Entities at year end arise as a result of transactions occurring between the entities throughout the year. The National Office has the ability to net amounts due to the Regions with amounts due from the Regions, thus are combined and presented as either due to or from the National Office on the statements of financial position. At December 31, 2015 and 2014, the net amount due to the National Office was $1,036,247 and $2,635,825, respectively. The National Office considers this to be fully collectible.

5. Investments

Investments were as follows at:

December 31,	2015	2014
Marketable securities:		
Investment accounts		
U.S. Government securities	$ 4,458,268	$ 2,844,290
Corporate notes and bonds	8,488,425	2,637,146
Domestic equity mutual funds	13,823,960	6,088,757
Fixed income mutual funds	4,749,356	1,936,418
International equity mutual funds	5,655,756	1,810,180
Hedge Funds	2,160,149	-
Private Equity Funds	338,088	-
Total investment accounts	39,674,002	15,316,791
Split interest agreements		
U.S. Government securities	-	226,301
Corporate notes and bonds	516,446	176,823
Domestic equity mutual funds	4,562,892	8,662,909
Fixed income mutual funds	4,856,945	3,242,417
International equity mutual funds	3,025,238	1,926,667
Total split interest agreement	12,961,521	14,235,117
Total marketable securities	52,635,523	29,551,908
Certificates of deposit	-	7,128
Total investments	$ 52,635,523	$ 29,559,036

6. Fair Value Measurements

In accordance with GAAP, fair value measurement establishes a framework for measuring fair value and expands disclosures about fair value measurements.

This standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction as prescribed by GAAP. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date. The standard describes three levels of inputs that may be used to measure fair value:

Level I - Quoted prices for identical instruments in active markets. This category includes domestic and international equity mutual funds and fixed income mutual funds that are traded in an active exchange market, as well as U.S. Treasury securities.

Level II - Inputs other than quoted prices included in Level I that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.) or inputs derived principally from or corroborated by observable market data by correlation or other means. This category includes certain U.S. Government and agency mortgage-backed debt securities and corporate debt securities.

Level III - Inputs are unobservable data points for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the National Office's assumptions based on the best information available in the circumstances. This category includes charitable remainder unitrusts and beneficial interests in perpetual trusts for which the National Office is not the trustee. These trusts are valued based on the market value of the underlying securities as provided by the trustee.

Quantitative information related to Level III valuation inputs is not available since the value of the trusts that was provided by the trustees was used without adjustment. On an annual basis, management evaluates the return received from the trusts against the value of its portion of the trusts for reasonableness as compared with current market returns. Management believes that the sensitivity in the fair value measurement of the beneficial interests is related to market fluctuations, as the investments held in the trusts are primarily marketable securities.

The following tables summarize the valuation of the National Office's marketable securities, Charitable Remainder Trust ("CRTs") and beneficial interest in perpetual trusts by the above hierarchy levels as of December 31:

	2015			
	Level I	**Level II**	**Level III**	**Total**
U.S. Government securities	**$ 1,438,037**	**$ 3,020,231**	**$ -**	**$ 4,458,268**
Corporate notes and bonds	**-**	**7,927,109**	**-**	**7,927,109**
Real estate industry	**-**	**1,077,763**	**-**	**1,077,763**
Domestic equity mutual funds	**18,386,852**	**-**	**-**	**18,386,852**
Fixed income mutual funds	**9,606,301**	**-**	**-**	**9,606,301**
International equity mutual funds	**8,680,993**	**-**	**-**	**8,680,993**
Hedge funds	**-**	**2,160,149**	**-**	**2,160,149**
Private equity funds	**-**	**-**	**338,088**	**338,088**
Total marketable securities	**38,112,183**	**14,185,252**	**338,088**	**52,635,523**
CRTs	**-**	**-**	**5,986,799**	**5,986,799**
Beneficial interests in perpetual trusts	**-**	**-**	**12,959,579**	**12,959,579**
Total	**$ 38,112,183**	**$ 14,185,252**	**$ 19,284,466**	**$ 71,581,901**

	2014			
	Level I	**Level II**	**Level III**	**Total**
U.S. Government securities	$ 1,926,863	$ 1,143,728	$ -	$ 3,070,591
Corporate notes and bonds	-	2,637,146	-	2,637,146
Real estate industry	-	176,823	-	176,823
Domestic equity mutual funds	14,538,365	213,300	-	14,751,665
Fixed income mutual funds	5,178,835	-	-	5,178,835
International equity mutual funds	3,736,848	-	-	3,736,848
Total marketable securities	25,380,911	4,170,997	-	29,551,908
CRTs	-	-	3,536,447	3,536,447
Beneficial interests in perpetual trusts	-	-	8,916,990	8,916,990
Total	$ 25,380,911	$ 4,170,997	$ 12,453,437	$ 42,005,345

The following table summarizes the National Office's Level III reconciliation for the years ended December 31, 2015 and 2014:

	2015	2014
Beginning balance	**$ 12,453,437**	$ 9,896,449
Acquired from Southeast and Upper Midwest Regions	**-**	2,619,179
Acquired from Florida Chapter and Mid-Atlantic Region	**4,122,233**	-
Increase in CRTs	**2,515,808**	299,959
Net unrealized gains (losses)	**192,988**	(362,150)
Ending balance	**$ 19,284,466**	$ 12,453,437

With respect to valuation methodologies at December 31, 2015 and 2014, to the extent that the National Office directly owns and controls the investment, valuation is based on unadjusted quoted prices for identical assets in active markets that the National Office can access. For other investments, predominately "alternative investments" (including private equity, alternative hedge strategies and real assets), the National Office utilizes the net asset value "NAV" reported by each of the alternative funds and external investment managers as a practical expedient for determining the fair value of the investment. These investments are redeemable at NAV under the original terms of the agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the National Office's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the National Office's interest in the funds.

7. Endowments

The National Office's endowment consists of 25 individual funds established for research and operations.

National Office management understands the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") (as adopted in each state) 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. The National Office classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment fund in excess of the original fair value that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the National Office considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the National Office and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the National Office
7. The investment policy of the National Office

If the market value of any fund classified as permanently restricted at year-end is below the amount determined to be permanently restricted, the deficit, which cannot be funded from temporarily restricted unspent earnings of the fund, is reported as a reduction in unrestricted net assets. There were no such deficiencies for the years ended December 31, 2015 and 2014.

The primary long-term financial objective for the National Office's endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation and costs of portfolio management. Performance of the overall endowment against this objective is measured over rolling periods of one, three and five years. The endowments are managed to optimize the long run total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that funds the National Office's existing spending policy and allows sufficient reinvestment to grow the endowment principal at a rate that exceeds inflation (as measured by the Consumer Price Index). Over the short term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested.

Endowment assets are governed by a spending policy that seeks to distribute a specific payout rate of the endowment base to support the National Office's programs. The endowment base is defined as a three- year moving average of the market value of the total endowment portfolio (calculated as of the last day of December for the prior three years). The distribution or payout rate is calculated at a specific percentage of the base as determined by the Board. The rate in the current year was 4.25 percent. The policy allows for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowments. In addition, the policy minimizes the probability of invading the principal over the long-term. Spending in a given year reduces the unit value of each endowment element by the payout percentage. In no case are funds designated as true endowment reduced below their initial unit value. In the case of short-term declines in the market value of the endowment pool of funds, the overall spending rate may be calculated below designated payout percentage in order to maintain the original unit value of certain elements of the true endowment. Growth of the unit values over time should allow for spending of principal, without drawing from the original corpus of a particular gift.

The endowment is divided into three broad asset classes: equity fund, fixed income fund and cash or near-cash fund. The purpose of dividing the endowment fund in this way is to ensure that the optimal long-term return is achieved given the National Office's risk preference. The endowment is diversified both by asset class (equity, fixed income and cash) and within asset class (large capitalization stocks, small capitalization stocks, U.S. Treasury bonds, corporate bonds, etc.).

The purpose of diversification is to provide reasonable assurance that no single security or class of securities has a disproportionate impact on the total endowment and to reduce the overall risk and volatility of the entire portfolio. The total endowment is monitored on a continual basis for consistency of investment philosophy, return relative to objectives and asset allocation with respect to target percentages.

The composition of donor restricted endowment and the changes in endowment net assets as of December 31, 2015 and 2014 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2014	$ 1,287,393	$ 5,164,145	$ 6,451,538
Investment return			
Income	82,665	-	82,665
Net appreciation (realized and unrealized)	125,378	-	125,378
Total investment return	208,043	-	208,043
Acquired from Southeast and Upper Midwest	280,743	587,717	868,460
Appropriation of endowment assets for expenditure	(232,338)	-	(232,338)
Endowment Net Assets, December 31, 2014	1,543,841	5,751,862	7,295,703
Investment return			
Income	**316,437**	**-**	**316,437**
Net depreciation (realized and unrealized)	**(631,300)**	**-**	**(631,300)**
Total investment return	**(314,863)**	**-**	**(314,863)**
Contributions	**-**	**200,000**	**200,000**
Acquired from Florida and Mid-Atlantic	**2,415,198**	**17,368,800**	**19,783,998**
Appropriation of endowment assets for expenditure	**(1,122,499)**	**-**	**(1,122,499)**
Endowment Net Assets, December 31, 2015	**$ 2,521,677**	**$23,320,662**	**$25,842,339**

8. Contributions Receivable

The National Office had the following contributions receivable balances at:

December 31,	**2015**	2014
Amounts due in:		
Less than one year	**$ 3,923,010**	$ 2,923,138
One to five years	**1,194,399**	1,481,339
Gross contributions receivable	**5,117,409**	4,404,477
Allowance for doubtful accounts	**(376,130)**	(300,105)
Bequests receivable	**5,986,799**	3,536,447
Unamortized present value discount	**(61,354)**	(56,317)
Contributions receivable, net	**$ 10,666,724**	$ 7,584,502

Discounts on contributions receivable were calculated at the date of donation using rates commensurate with the risks involved (between one and three percent).

9. Split Interest Agreements

The National Office had the following interests at:

December 31,	**2015**	2014
CRTs (Arthritis Foundation is the trustee)	**$ 3,224,277**	$ 3,553,453
Gift annuity fund	**9,670,836**	10,182,498
Pooled income fund	**465,023**	499,166
Split interest agreements (included in investments)	**13,360,136**	14,235,117
CRTs (Arthritis Foundation is not the trustee)	**5,986,799**	3,536,447
Perpetual trusts (Arthritis Foundation is not the trustee)	**12,959,579**	8,916,990
Total	**$ 32,306,514**	$ 26,688,554

10. Property and Equipment

Property and equipment consisted of the following at:

December 31,	Estimated Useful Life	2015	2014
Land		$ 407,000	$ 2,400,000
Building and improvements	10-30 years	1,992,130	7,330,473
Leasehold improvements	3-10 years	287,128	239,198
Furniture and other equipment	3-5 years	5,703,130	2,647,805
Total property and equipment		8,389,388	12,617,476
Accumulated depreciation		(3,267,572)	(7,182,483)
Property and equipment, net		$ 5,121,816	$ 5,434,993

Depreciation expense was $533,028 and $419,381 for the years ended December 31, 2015 and 2014, respectively.

On April 28, 2015, the National office sold its property at 1330 West Peachtree Street for $7,000,000. The total book value of the land and building sold was $4,391,625 at the time of the sale.

11. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following at:

December 31,	2015	2014
Wages	$ 418,829	$ 541,522
Payroll taxes and other related liabilities	67,353	177,867
Defined benefit plans	353,566	284,740
Deferred subscription revenue	1,663,623	1,507,724
Deferred compensation plan	44,792	26,792
Deferred revenues	191,638	346,397
Refundable advances	8,975	278,252
Other	1,902,173	48,535
Total accrued expenses and other liabilities	$ 4,650,949	$ 3,211,829

12. Debt Obligations

The National Office has leased various assets, primarily office equipment, with lease terms approximating the useful lives of the assets. As a result, the present value of the remaining future minimum lease payments are recorded as capitalized lease assets and related notes payable. Assets under capital leases (net of accumulated depreciation) at December 31, 2015 and 2014 were $93,584 and $82,742, respectively, and are included in property and equipment on the statement of financial position.

Future minimum lease payments under capital leases are as follows at December 31, 2015:

Years ending December 31,		**Amount**
2016	$	**40,412**
2017		**30,169**
2018		**5,788**
Total future minimum lease payments		**76,369**
Less amounts representing interest		**(2,753)**
Present value of net minimum lease payments	$	**73,616**

On November 1, 2009, the National Office amended its loan agreement (original date: December 1, 1996) with the Development Authority of Fulton County. Under this amendment, the National Office converted its existing bonds in the amount of $3,600,000 to “bank qualified” bonds to be held until maturity by SunTrust Bank. The principal amount of the reissued bonds was $3,600,000. The credit agreement between the National Office and SunTrust Bank and the amended and restated Indenture of Trust stipulate that the interest rate paid on the bonds shall be a rate equal to 67 percent of the sum of LIBOR plus 2.5 percent. The substantive effect of the reissuance of the bonds was to eliminate the need to remarket the bonds which lowers the National Office’s overall cost of borrowing by the amount of the remarketing and letter of credit fees. The National Office had a related note payable balance of $1,100,000 at December 31, 2014.

On April 28, 2015, the National Office finalized the sale to a third party of the building formerly used as its National Office headquarters. The building sold for $7,000,000, of which $1,101,256 (representing principal and accrued interest) was used to pay the remaining balance of the SunTrust note payable.

On January 1, 2014, the National Office acquired the Southeast Region’s liability related to a lease termination agreement. In 2013, the Southeast Region relocated its offices to the building then-owned by the National Office, and terminated its lease with the previous landlord. The total obligation under the agreement was $48,000. As of December 31, 2015, this obligation was paid in full.

14. Joint Costs

In 2015 and 2014, the National Office incurred joint costs of $7,901,721 and $9,754,041, respectively, for informational materials and activities that included fundraising appeals, such as the National Office's direct mail. Joint costs were allocated as follows:

December 31,	**2015**	2014
Public health education	**$ 5,531,205**	$ 6,956,066
Fundraising	**2,370,516**	2,089,707
Other	**-**	708,268
Total joint costs	**$ 7,901,721**	$ 9,754,041

15. Net Assets

Temporarily restricted net assets were available for the following purposes at:

December 31,	**2015**	2014
Programs, scholarships, training and projects	**$ 10,467,459**	$ 5,811,168
Research	**6,003,043**	4,066,751
Use in future periods	**9,331,960**	9,068,828
Total temporarily restricted net assets	**$ 25,802,462**	$ 18,946,747

Permanently restricted net assets consisted of the following and represent endowed gifts to be held in perpetuity, with the investment income available for use for the following purposes at:

December 31,	**2015**	2014
Research, operations, and specific projects	**$ 21,146,765**	$ 5,951,862
Beneficial interests in perpetual trusts	**12,959,579**	8,916,990
Total permanently restricted net assets	**$ 34,106,344**	$ 14,868,852

Temporarily restricted net assets released from restrictions consisted of the following:

Years ended December 31,	**2015**	2014
Programs, scholarships, training and projects	**$ 4,319,614**	$ 3,289,148
Research	**4,182,000**	5,060,815
Use in future periods	**763,753**	909,509
Total temporarily restricted net assets released from restriction	**$ 9,265,367**	$ 9,259,472

16. Operating Leases

The National Office has various operating leases for equipment and office space. Rental expense under these lease agreements was $1,305,141 and $513,903 for the years ended December 31, 2015 and 2014, respectively. Lease agreements having an original term of more than one year expire on various dates through 2021. Future minimum annual lease payments are as follows at December 31, 2015:

Years ending December 31,	**Amount**
2016	**$ 1,379,302**
2017	**1,387,750**
2018	**1,137,184**
2019	**982,172**
2020	**896,679**
Thereafter	**3,854,026**
Total future minimum lease payments	**$ 9,637,113**

On April 28, 2015, the National Office sold its office building to a third party, and future minimum rental income is zero.

17. Employee Benefit Plans

The defined contribution retirement plan (the "Plan") follows section 401(a) of the Internal Revenue Code of 1986, as amended, and includes a 401(k) feature. The Plan covers all employees of the National Office having one year or more of service. The National Office makes base contributions ranging from two percent to eight percent of the employees' compensation depending upon length of service. In addition, participants may voluntarily contribute up to four percent of their compensation on a pretax basis and the National Office matches 50 percent of participant contribution. Employer contributions are 100 percent vested after three years of service. Funds contributed to the Plan are held under contract with TIAA-CREF, and employees may allocate their accounts within the available investment alternatives.

Effective January 3, 2014, the National Office suspended employer profit sharing contributions and required matching contributions to the 401(k) Defined Contribution Retirement Plan. Accordingly, no employer contributions were made to the Plan for the year ended December 31, 2014 other than a discretionary employer matching contribution of $28,451 which was fully funded by available forfeitures. On January 1, 2015, the National Office reinstated all employer contributions. Employer matching contributions for the year ended December 31, 2015 were $684,799.

The National Office also maintains a 457(b) nonqualified deferred compensation plan that permits a select group of executive level employees to set aside a portion of salary on a before-tax basis. In addition to voluntary elective deferrals, the National Office makes non-elective contributions to the plan. At the discretion of the National Office, participants are allowed to allocate plan contributions and designate beneficiaries. The National Office's contributions totaled $18,000 for the year ended December 31, 2015. No contributions were made for the year ended December 31, 2014. All assets under the plan remain part of the National Office's general assets and are subject to the claims of its creditors. All rights to amounts held under the plan are owned by the National Office. Therefore, the National Office reports the assets and related liabilities of the plan in its statements of position. At December 31, 2015 and 2014, the assets and liabilities each totaled $44,792 and $26,792, respectively.

Defined Benefit Plans

As a result of the acquisitions of the Southeast Region and the Florida Chapter, the National Office maintains three defined benefit pension plans (the "Plans"). Certain employees of the Region are covered by the Pension Plan of Arthritis Foundation Southeast Region, Inc. (the "ARK Plan"). The employees covered by the ARK Plan represent substantially all of the former Arkansas Chapter employees. Certain employees of the Region are covered by the Pension Plan of Arthritis Foundation Georgia Chapter, Inc. (the "GA Plan"). The employees covered by the GA Plan represent substantially all of the former Georgia Chapter employees. Substantially all of the Florida Chapter employees are covered by the Arthritis Foundation, Florida Chapter, Inc. Employee Benefit Plan (the "FL Plan"). Benefits of the Plans are based on years of service and compensation. Contributions are determined in accordance with the Plans' provisions. As of the year ended December 31, 2015 and 2014, the National Office has recorded an accrued net pension liability of $353,566 and $284,740, respectively, in relation to the Plans. Due to their relative size in relation to the financial statements of the National Office, additional disclosures are not included.

18. Commitments and Contingencies

The National Office has contingent commitments for research awards and grants for future years. The terms of research awards and grants are from one to three years with continuation of grants subject to certain performance requirements. At December 31, 2015, these commitments were as follows:

Years ending December 31,		**Amount**
2016	$	**4,630,000**
2017		**1,375,000**
2018		**843,621**
Total	$	**6,848,621**

The National Office is involved in litigation arising from the normal course of business. Although the ultimate outcome of such matters cannot be predicted with certainty, management believes that the current expected outcome of any such matter will not have a material adverse effect on the National Office's financial condition.

19. Subsequent Events

The Foundation has evaluated subsequent events for potential recognition and/or disclosure in the December 31, 2015 financial statements through August 23, 2016, the date that the financial statements were available to be issued.

As discussed in Note 1, the National Office acquired the charters of all remaining Chartered Entities. These entities will continue to operate as divisions of the National Office.