Arthritis Foundation,
Chartered Entities and the National Office

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

The report accompanying these combined financial statements was issued by BDO USA, LLP, a New York limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

Arthritis Foundation, Chartered Entities and the National Office

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

Arthritis Foundation, Chartered Entities and the National Office

Contents

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Independent Auditor's Report

Board of Directors
Arthritis Foundation, Inc.

We have audited the accompanying combined financial statements of the Arthritis Foundation, Chartered Entities and the National Office, which comprise the combined statement of financial position as of December 31, 2015, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Arthritis Foundation, Chartered Entities and the National Office, as of December 31, 2015 and the results of their combined operations and their combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The combined financial statements of the Arthritis Foundation, Chartered Entities and the National Office for the year ended December 31, 2014 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 combined financial statements from which it was derived.

BDO USA, LLP

August 23, 2016

Combined Financial Statements

Arthritis Foundation, Chartered Entities and the National Office

Combined Statements of Financial Position

December 31,	2015	2014
Assets		
Cash and cash equivalents	$ **12,349,881**	$ 14,754,915
Investments	**95,496,050**	97,433,751
Accounts and notes receivable, net	**3,776,878**	1,979,667
Contributions receivable, net	**15,644,965**	18,232,197
Prepaid expenses and other assets	**1,716,242**	1,814,842
Inventory	**301,491**	405,745
Beneficial interest in perpetual trust	**43,294,798**	47,349,160
Property and equipment, net	**6,673,203**	8,705,385
Total Assets	$ **179,253,508**	$ 190,675,662
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ **3,831,738**	$ 2,469,936
Accrued expenses and other liabilities	**7,084,654**	7,401,095
Research awards and grants payable	**6,899,765**	5,314,935
Liabilities under split interest agreements	**8,874,309**	9,372,216
Debt obligations (including capital lease obligations)	**597,816**	2,447,186
Total Liabilities	**27,288,282**	27,005,368
Net Assets		
Unrestricted	**34,087,036**	39,369,146
Temporarily restricted	**41,704,789**	47,030,064
Permanently restricted	**76,173,401**	77,271,084
Total Net Assets	**151,965,226**	163,670,294
Total Liabilities and Net Assets	$ **179,253,508**	$ 190,675,662

See the accompanying notes to the combined financial statements.

Arthritis Foundation, Chartered Entities and the National Office

Combined Statements of Activities

		Temporarily	Permanently	Totals	
Years ended December 31,	Unrestricted	Restricted	Restricted	2015	2014
Revenues, Gains and Public Support					
Direct response marketing contributions	$ 10,566,325	$ -	$ -	$ 10,566,325	$ 12,091,168
Corporate contributions	4,899,368	8,459,618	-	13,358,986	9,702,625
Personal contributions	1,526,773	1,258,403	-	2,785,176	4,006,047
Foundations	434,016	2,230,223	-	2,664,239	3,083,790
Memorials	240,681	4,395	-	245,076	352,672
Other gifts	511,351	129,268	-	640,619	271,636
Total contributions	18,178,514	12,081,907	-	30,260,421	29,507,938
Special events - gross income	24,813,731	-	-	24,813,731	29,149,911
Less direct donor benefit costs	(5,305,729)	-	-	(5,305,729)	(6,399,928)
Bequests/planned giving	11,698,236	3,624,910	218,261	15,541,407	27,541,205
Total direct public support	49,384,752	15,706,817	218,261	65,309,830	79,799,126
Federated campaigns	773,409	2,001	-	775,410	832,627
United Way	515,615	5,000	-	520,615	696,553
Total indirect public support	1,289,024	7,001	-	1,296,025	1,529,180
Contributed goods and services	397,279	-	-	397,279	610,077
Total public support	51,071,055	15,713,818	218,261	67,003,134	81,938,383
Government grants	1,021,055	-	-	1,021,055	1,959,620
Investment return for operations	4,048,818	-	-	4,048,818	5,275,140
Conferences, sales, other revenue, gains and losses	8,907,798	(66,497)	-	8,841,301	7,201,626
Total other revenue, gains and losses	13,977,671	(66,497)	-	13,911,174	14,436,386
Net assets released from restrictions	16,073,334	(15,914,834)	(158,500)	-	-
Total Revenues, Gains and Public Support	81,122,060	(267,513)	59,761	80,914,308	96,374,769
Expenses					
Research	(11,089,492)	-	-	(11,089,492)	(10,039,087)
Public health education	(35,175,543)	-	-	(35,175,543)	(38,489,975)
Professional education and training	(2,317,829)	-	-	(2,317,829)	(2,076,585)
Patient and community services	(18,051,449)	-	-	(18,051,449)	(19,473,411)
Fundraising	(11,037,364)	-	-	(11,037,364)	(11,174,867)
Management and general	(10,226,331)	-	-	(10,226,331)	(10,178,552)
Total Expenses	(87,898,008)	-	-	(87,898,008)	(91,432,477)
Change in net assets from operating activities	(6,775,948)	(267,513)	59,761	(6,983,700)	4,942,292
Non-operating Income					
Net realized and unrealized (losses) gains on investments	(1,404,105)	(3,110,655)	-	(4,514,760)	1,650,887
Unrealized loss on beneficial interests in perpetual trusts	-	-	(1,157,444)	(1,157,444)	(169,742)
Realized gain on the sale of building and land	2,391,975	-	-	2,391,975	-
Change in valuation in split interest agreements	-	(1,947,107)	-	(1,947,107)	(227,003)
Net change in pension liabilities	505,968	-	-	505,968	(193,708)
Change in net assets from non-operating activities	1,493,838	(5,057,762)	(1,157,444)	(4,721,368)	1,060,434
Change in Net Assets	(5,282,110)	(5,325,275)	(1,097,683)	(11,705,068)	6,002,726
Net Assets, beginning of year	39,369,146	47,030,064	77,271,084	163,670,294	157,667,568
Net Assets, end of year	$ 34,087,036	$ 41,704,789	$ 76,173,401	$ 151,965,226	$ 163,670,294

See the accompanying notes to the combined financial statements.

Arthritis Foundation, Chartered Entities and the National Office

Combined Statements of Functional Expenses

	Program Services					Supporting Services			Totals	
Years ended December 31,	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 awards and grants	$ 8,563,352	$ 51,133	$ 7,730	$ 173,341	$ 8,795,556	$ 7,245	$ 1,648	$ 8,893	$ 8,804,449	$ 8,267,008
Salaries	1,106,228	14,006,181	1,143,185	6,876,462	23,132,055	4,448,389	5,158,909	9,607,298	32,739,353	34,461,436
Payroll taxes	72,784	1,081,949	89,814	538,189	1,782,735	343,604	391,137	734,741	2,517,476	2,687,957
Employee benefits	153,735	1,787,597	161,030	944,972	3,047,334	578,344	884,753	1,463,097	4,510,431	4,664,588
Advertising commissions	-	103,838	-	-	103,838	207,676	34,613	242,288	346,126	367,063
Professional fees and contract services	264,197	3,041,277	201,393	1,511,720	5,018,587	694,047	1,473,848	2,167,895	7,186,482	7,724,301
Professional services - contributed	53,433	12,938	7,031	55,898	129,299	13,415	-	13,415	142,715	337,339
Supplies	11,746	318,904	17,915	245,542	594,107	111,347	65,520	176,867	770,974	893,708
Supplies and materials - contributed	-	-	-	28,800	28,800	196,924	8,000	204,924	233,724	253,938
Printing, publications, and artwork	13,127	1,261,523	34,665	1,205,461	2,514,775	242,925	46,133	289,058	2,803,833	3,121,752
Membership/direct response marketing	116,518	5,662,913	64,085	93,214	5,936,731	1,906,732	58,259	1,964,991	7,901,721	9,754,041
Postage, shipping, and delivery	9,810	1,338,905	16,249	1,296,801	2,661,765	110,163	53,430	163,593	2,825,358	3,426,178
Telephone	34,990	249,379	40,297	159,874	484,540	109,228	409,325	518,553	1,003,093	941,988
Occupancy	164,640	1,874,026	121,793	1,061,225	3,221,684	556,833	393,431	950,264	4,171,947	3,422,929
Insurance	62,890	283,851	18,480	134,321	499,542	85,816	65,027	150,843	650,385	680,522
Staff travel	99,629	1,039,531	103,188	945,237	2,187,585	399,270	235,034	634,304	2,821,889	1,892,782
Meetings and conferences	88,074	753,838	136,742	1,245,651	2,224,304	211,196	97,519	308,716	2,533,020	3,035,208
Equipment lease and maintenance	35,267	371,896	44,876	227,015	679,054	135,420	401,525	536,945	1,215,999	1,226,574
Membership dues and subscriptions	42,549	109,492	9,405	40,587	202,032	34,111	33,650	67,761	269,793	241,741
Specific assistance to individuals	-	-	-	121,594	121,594	-	-	-	121,594	376,280
Advertising	6,735	220,714	13,262	155,378	396,090	119,781	36,634	156,415	552,505	721,774
Miscellaneous	87,406	1,076,498	55,619	742,172	1,961,695	306,258	255,652	561,910	2,523,605	1,698,223
Depreciation	100,623	344,645	12,658	133,327	591,254	93,298	84,665	177,963	769,217	753,656
Uncollectible receivables	1,760	184,517	18,412	114,669	319,358	125,342	37,619	162,961	482,319	481,491
Total Operating Expenses	$ 11,089,492	$ 35,175,543	$ 2,317,829	$ 18,051,449	$ 66,634,313	$ 11,037,364	$ 10,226,331	$ 21,263,695	$ 87,898,008	$ 91,432,477

See the accompanying notes to the combined financial statements.

Arthritis Foundation, Chartered Entities and the National Office

Combined Statements of Cash Flows

Years ended December 31,	2015	2014
Cash flows from operating activities		
Change in net assets	$ **(11,705,068)**	$ 5,411,211
Adjustments to reconcile change in net assets to net cash and cash equivalents		
used in operating activities:		
Depreciation	**769,217**	753,656
Gain on sale of property and equipment	**(2,391,975)**	(4,105)
Net realized and unrealized loss (gains) on investments	**4,514,760**	(4,252,676)
Contributions restricted for long-term investment	**(218,261)**	(915,333)
Change in operating assets and liabilities:		
Accounts and notes receivable	**(1,797,211)**	28,201
Contributions receivable	**2,587,232**	(3,196,114)
Prepaid expenses and other assets	**98,600**	625,204
Inventory	**104,254**	63,354
Beneficial interests in perpetual trusts	**4,054,362**	40,868
Accounts payable	**1,361,802**	(1,554,175)
Accrued expenses and other liabilities	**(316,441)**	277,513
Research awards and grants payable	**1,584,830**	487,840
Liabilities under split interest agreements	**(497,907)**	(508,553)
Net cash used in operating activities	**(1,851,806)**	(2,743,109)
Cash flows from investing activities:		
Purchase of property and equipment	**(3,349,060)**	(822,618)
Net proceeds from sale of property and equipment	**6,334,234**	257,295
Purchase of investments	**(27,851,543)**	(38,198,025)
Proceeds from sale of investments	**25,944,249**	45,689,159
Net cash provided by investing activities	**1,077,880**	6,925,811
Cash flows from financing activities:		
Contributions restricted for long-term investment	**218,261**	915,333
Repayments of note payable	**(1,120,466)**	(383,047)
Proceeds from line of credit	**1,000,000**	1,000,000
Payments on line of credit	**(1,500,000)**	-
Payments on other long-term debt/capital lease obligations	**(228,904)**	(432,264)
Net cash (used in) provided by financing activities	**(1,631,109)**	1,100,022
Net (decrease) increase in cash and cash equivalents	**(2,405,035)**	5,282,724
Cash and cash equivalents, beginning of year	**14,754,915**	9,472,191
Cash and cash equivalents, end of year	$ **12,349,880**	$ 14,754,915
Supplemental information:		
Interest paid	$ **33,053**	$ 85,286
Noncash investing and financing activities:		
Write off of fully depreciated property and equipment	$ **21,818**	$ 29,601
Contribution of beneficial interests in perpetual trusts	$ **-**	$ 634,428

See the accompanying notes to the combined financial statements.

1. Description of Organization

The Arthritis Foundation (the "Foundation") is a 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 Foundation 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.

The combined financial statements include the accounts of the Foundation and the Chartered Entities. All significant inter-organization transactions and accounts are eliminated.

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:

> 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 Foundation 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 combined financial statements follows.

Basis of Accounting

The combined 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").

Basis of Presentation

The Foundation 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 Foundation 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 Foundation and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the Foundation maintain them permanently. Generally, the donors of these assets permit the Foundation 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 Foundation 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 combined 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 Foundation's combined 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 Foundation to concentrations of credit and market risk consist principally of cash and cash equivalents and marketable securities held at creditworthy financial institutions. At December 31, 2015, the Foundation's uninsured cash balance totaled $7,565,919. 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 Foundation has not experienced any losses in such accounts. The Foundation'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 Foundation's combined statement of financial position and combined statement of activities.

Cash and Cash Equivalents

The Foundation maintains its cash on deposit with financial institutions. Some balances at these institutions exceed federally insured limits. 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 combined 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 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 for 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 Foundation's split interest agreements are recorded as follows:

Charitable Gift Annuities and Other Split Interest Agreements under which the Foundation 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 Others – Such amounts are included with other contributions receivable on the combined statement of financial position. These gifts which benefit not only the Foundation, 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 Foundation is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Foundation. The Foundation has legally enforceable rights or claims to such assets including the right to income therefrom. Under the perpetual trust arrangement, the Foundation 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 Foundation.

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 Foundation 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 4.

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 Foundation'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 Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Foundation receives services from a large number of volunteers who give significant amounts of their time to the Foundation'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 $397,279 and $610,077 for the years ended December 31, 2015 and 2014, respectively.

Use of Estimates

Management of the Foundation 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 combined financial statements in conformity with GAAP. Actual results could differ from these estimates.

Reclassifications

Various reclassifications including certain asset and net asset balances have been made to the 2014 balances to conform to the 2015 presentation. Such reclassifications did not have a significant or material impact to the 2014 net asset balances.

Recent Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard 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, U.S. 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 Foundation does not anticipate that the ASU will have a material impact to the combined 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 Foundation 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 Foundation does not anticipate that the ASU will have a material impact to the combined 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 Foundation is currently evaluating the impact of adopting this ASU on the combined financial statements.

3. Investments

Investments were as follows at:

December 31,	**2015**	2014
Marketable securities		
Investment accounts		
U.S. Government securities	**$ 7,814,361**	$ 7,003,763
Corporate notes and bonds	**11,614,968**	6,506,140
Common stocks	**6,390,387**	25,386,284
Domestic equity mutual funds	**33,429,772**	15,956,492
Fixed income mutual funds	**8,828,344**	14,197,310
International equity mutual funds	**7,231,131**	6,821,982
Preferred stock	**-**	233,963
Alternative investments	**406,273**	2,227,973
Hedge funds	**2,160,149**	-
Real estate funds	**1,162,603**	-
Other commodities	**-**	1,289,446
International common stock	**301,272**	385,314
Other - principally money market and other mutual funds	**3,195,269**	2,826,559
Total investment accounts	**82,534,529**	82,835,226
Split interest agreements		
U.S. Government securities	**-**	226,301
Corporate notes and bonds	**516,447**	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	**3,025,237**	1,926,667
Total split interest agreements	**12,961,521**	14,235,117
Total marketable securities	**95,496,050**	97,070,343
Certificates of deposit	**-**	363,408
Total investments	**$ 95,496,050**	$ 97,433,751

4. 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 debt and equity securities 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 that are valued based on market prices for similar and actively traded investments. This category also includes alternative investments that are valued at net asset value (“NAV”) per share for which the Region has the ability to redeem its investment at the measurement date.

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 Foundation’s assumptions based on the best information available in the circumstances. This category includes split interest agreements and beneficial trusts for which the Foundation is not the trustee. The trusts are valued based on the values of the underlying investments in the trust which are established by the trustee using valuation methods that are appropriate for the investments in the trusts.

Quantitative information related to valuation inputs for Level III assets is not available since the value of the trusts that was provided by the trustees was used without adjustment. On an annual basis, Foundation 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 table summarizes the valuation of the Foundation's investments, split interest agreements and beneficial interests in perpetual trusts by the above hierarchy levels as of December 31:

	2015			
	Level I	Level II	Level III	Total
U.S. Government securities	**$ 3,693,199**	**$ 4,121,162**	**$ -**	**$ 7,814,361**
Corporate notes and bonds	**-**	**12,131,415**	**-**	**12,131,415**
Common stocks	**6,390,387**	**-**	**-**	**6,390,387**
Domestic equity mutual funds	**37,992,664**	**-**	**-**	**37,992,664**
Fixed income mutual funds	**13,685,289**	**-**	**-**	**13,685,289**
Real estate funds	**84,840**	**1,077,763**	**-**	**1,162,603**
International equity mutual funds	**10,256,368**	**-**	**-**	**10,256,368**
Hedge funds	**-**	**2,160,149**	**-**	**2,160,149**
Alternative investments	**-**	**-**	**406,273**	**406,273**
International common stock	**-**	**301,272**	**-**	**301,272**
Other - principally money market and other mutual funds	**2,925,852**	**269,417**	**-**	**3,195,269**
Total marketable securities	**75,028,599**	**20,061,178**	**406,273**	**95,496,050**
Beneficial interests in perpetual trusts	**-**	**-**	**43,294,798**	**43,294,798**
Total	**$ 75,028,599**	**$ 20,061,178**	**$ 43,701,071**	**$ 138,790,848**

	2014			
	Level I	Level II	Level III	Total
U.S. Government securities	$ 4,580,659	$ 2,649,405	$ -	$ 7,230,064
Corporate notes and bonds	1,500,025	5,182,938	-	6,682,963
Common stocks	25,386,284	-	-	25,386,284
Domestic equity mutual funds	17,763,076	6,856,325	-	24,619,401
Fixed income mutual funds	10,083,740	7,355,987	-	17,439,727
International equity mutual funds	6,239,246	2,509,403	-	8,748,649
Preferred stock	233,963	-	-	233,963
Alternative investments	-	2,227,973	-	2,227,973
Other commodities	330,756	958,690	-	1,289,446
Foreign issues	-	385,314	-	385,314
Other - principally money market and other mutual funds	2,826,559	-	-	2,826,559
Total marketable securities	68,944,308	28,126,035	-	97,070,343
Beneficial interest in perpetual trust	-	-	47,349,160	47,349,160
Total	$ 68,944,308	$ 28,126,035	$ 47,349,160	$ 144,375,980

The following table summarizes the Foundation's Level III reconciliation for the beneficial interests in perpetual trusts for the years ended December 31, 2015 and 2014:

	2015	2014
Beginning balance	**$ 47,349,160**	$ 46,798,513
(Decrease) increase in beneficial interest in perpetual trust	**(2,490,645)**	128,874
Net unrealized losses	**(1,157,444)**	(169,742)
Ending balance	**$ 43,701,071**	$ 47,349,160

With respect to valuation methodologies at December 31, 2015, to the extent that the Foundation directly owns and controls the investment valuation is based on unadjusted quoted prices for identical assets in active markets that the Foundation can access. For other investments, predominately "alternative investments" (including private equity, alternative hedge strategies and real assets), the Foundation 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 Foundation's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the Foundation's interest in the funds.

5. Endowments

The Foundation's endowment consists of a number of individual funds established for research, specific programs and operations.

The Foundation understands the law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation 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 funds 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 the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

In accordance with UPMIFA, the Foundation 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 Foundation or 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 Foundation
7. The investment policy of the Foundation

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 Foundation'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 shall be 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 Foundation'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.

Foundation policy requires endowment assets to be governed by a spending policy that seeks to distribute a specific payout rate of the endowment base to support the Foundation'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). Without specific board action to either increase or decrease the payout rate, the Foundation's annual investment income payout distribution is calculated at a rate of four percent of the rolling three year average fair market value of the investments plus amounts paid for share on investment income. 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 Foundation'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 net assets as of December 31, 2015 and 2014 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	**$ 4,015,171**	**$ 37,923,064**	**$ 41,938,235**

	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ 5,564,784	$ 37,688,556	$ 43,253,340

The changes in endowment net assets for the year ended December 31, 2015 and 2014 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2014	$ 7,889,743	$ 37,008,070	$ 44,897,813
Investment Return			
Income	622,592	28,996	651,588
Net appreciation (realized and unrealized)	799,420	-	799,420
Total investment return	1,422,012	28,996	1,451,008
Contributions	-	833,963	833,963
Appropriation of endowment assets for expenditure	(3,746,971)	(182,473)	(3,929,444)
Endowment Net Assets, December 31, 2014	5,564,784	37,688,556	43,253,340
Investment Return			
Income	**593,187**	**-**	**593,187**
Net depreciation (realized and unrealized)	**(736,978)**	**-**	**(736,978)**
Total investment return	**(143,791)**	**-**	**(143,791)**
Contributions	**-**	**234,508**	**234,508**
Appropriation of endowment assets for expenditure	**(1,405,822)**	**-**	**(1,405,822)**
Endowment Net Assets, December 31, 2015	**$ 4,015,171**	**$ 37,923,064**	**$ 41,938,235**

6. Contributions Receivable

The Foundation had the following contributions receivable at:

December 31,	**2015**	2014
Amounts due in:		
Less than one year	**$ 12,452,194**	$ 16,656,398
One to five years	**3,735,248**	2,234,521
Gross contributions receivable	**16,187,442**	18,890,919
Allowance for doubtful accounts	**(469,411)**	(565,396)
Unamortized present value discount	**(73,065)**	(93,326)
Contributions receivable, net	**$ 15,644,966**	$ 18,232,197

Discounts on contributions receivable were calculated at the date of donation using rates commensurate with the risks involved (1% to 9%).

7. Split Interest Agreements and Beneficial Interests in Perpetual Trusts

The Foundation had the following interest at:

December 31,	**2015**	2014
Split interest agreements (the Foundation is the trustee)		
Charitable remainder trusts ("CRTs")	**$ 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 (the Foundation is not the trustee)	**7,489,492**	11,223,540
Perpetual trusts (the Foundation is not the trustee)	**35,805,306**	35,534,105
Total	**$ 56,654,934**	$ 60,992,762

The assets are reported on the combined statement of financial position and are valued at estimated fair-value. Liabilities under split interest agreements for which the Foundation is the trustee were $8,874,309 and $9,372,216 for December 31, 2015 and 2014, respectively and were valued at the date of donation using the income approach at discount rates commensurate with the risk involved (between three and 10 percent). They are being amortized over the terms of the obligations. Adjustments are made to the value of the split interest agreements when there are changes in the life expectancy of the donor.

8. Property and Equipment

Property and equipment consisted of the following at:

December 31,	**2015**	2014
Land	**$ 718,151**	$ 3,035,651
Buildings and improvements	**3,653,564**	11,381,606
Leasehold improvements	**1,284,543**	655,853
Furniture and other equipment	**6,916,067**	4,147,194
Total property and equipment	**12,572,326**	19,220,304
Accumulated depreciation	**(5,899,123)**	(10,514,919)
Property and equipment, net	**$ 6,673,203**	$ 8,705,385

Depreciation expense was $769,217 and $753,656 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.

9. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following at December 31, 2015 and 2014:

December 31,	**2015**	2014
Wages, payroll taxes and other related liabilities	**$ 1,340,689**	$ 1,760,462
Defined benefit obligation - unfunded	**1,177,538**	1,217,329
Deferred compensation plan	**44,792**	26,792
Other	**4,521,635**	4,396,512
Total accrued expenses and other liabilities	**$ 7,084,654**	$ 7,401,095

10. Debt Obligations

Revenue Bonds and Note Payable

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 a net purchase price of approximately $5,460,000, of which $1,101,256 (representing principal and accrued interest) was used to pay the remaining balance of the SunTrust note payable.

Line of Credit

At December 31, 2015, the Foundation had an available line of credit in the amount of $500,000. The Foundation had outstanding draws of $500,000 and $1,000,000 at December 31, 2015 and 2014, respectively. Such debt obligations are secured by land and other assets. Interest rates ranged from 3 percent to 3.25 percent at December 31, 2015.

Capital Leases

The Foundation 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 $99,694 and $100,533, respectively, and are included in property and equipment on the statement of financial position.

Future minimum lease payments under capital leases were as follows at:

Years ending December 31,		**Amount**
2016	**$**	**39,525**
2017		**30,169**
2018		**7,423**
2019		**-**
Total future minimum lease payments	**$**	**77,117**

Summarized debt obligations were as follows at:

December 31,		**2015**		2014
Notes payable	**$**	**-**	$	1,122,000
Lines of credit		**500,000**		1,000,000
Present value of capital lease payments		**97,816**		325,186
Total debt obligations	**$**	**597,816**	$	2,447,186

11. Joint Costs

In 2015 and 2014, the Foundation incurred joint costs of $9,413,824 and $12,614,525, respectively, for informational materials and activities that included fundraising appeals, such as the Foundation's direct mail. Joint costs were allocated as follows:

Years ending December 31,	**2015**	2014
Public health education	**$ 6,622,886**	$ 9,041,120
Fundraising	**2,790,938**	2,865,137
Other programs	**-**	708,268
Total joint costs	**$ 9,413,824**	$ 12,614,525

12. Net Assets

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

December 31,	**2015**	2014
Programs, scholarships, training and projects	**$ 16,517,004**	$ 14,738,124
Research	**13,247,272**	13,242,037
Building improvements	**-**	53,825
Use in future periods	**12,422,703**	18,996,078
Total temporarily restricted net assets	**$ 41,704,789**	$ 47,030,064

Permanently restricted net assets consisted of the following and represent endowed gifts to be held in perpetuity with the investment income to be used for:

December 31,	**2015**	2014
Research, operations, and specific projects	**$ 32,878,603**	$ 41,145,464
Beneficial interests in perpetual trusts	**43,294,798**	37,086,120
Total permanently restricted net assets	**$ 76,173,401**	$ 77,271,084

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

Years ending December 31,	**2015**	2014
Programs	**$ 7,228,211**	$ 7,513,753
Research	**7,505,208**	4,428,520
Time releases	**1,181,415**	4,264,384
Total temporarily restricted net assets released from restrictions	**$ 15,914,834**	$ 16,206,657

13. Operating Leases

Rental expense for Foundation office space was $3,839,222 and $3,574,301 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 2026. Total future minimum lease payments were as follows at December 31, 2015:

Years ending December 31,	**Amount**
2016	**$ 3,455,308**
2017	**3,081,795**
2018	**1,640,282**
2019	**1,354,037**
2020	**1,032,674**
Thereafter	**3,856,566**
Total future minimum lease payments	**$ 14,420,661**

On April 28, 2015, the National Office sold its office building in Atlanta, GA to a third party, and leased back the office space through October 28, 2015. On May 1, 2015, the National Office executed an 11 year office lease agreement in a new space. The National Office transitioned to its new space in late 2015.

14. Employee Benefit Plans

Employee Contribution Plans

Defined Contribution Plans - The Foundation sponsors various defined contribution retirement plans (the “defined contribution plans”) covering substantially all of the employees of the Foundation. Participants may contribute a percentage of their compensation on a pretax basis. The Foundation matches a portion of the participants’ compensation. Vesting policies are based on the specific defined contribution plan operated either at the National Office or the chartered entity. Total contributions to the defined contribution plans for the years ended December 31, 2015 and 2014 were $1,149,973 and $501,914, respectively.

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.

Deferred Compensation Plan - The Foundation 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 Foundation makes non- elective contributions to the plan. At the discretion of the Foundation, participants are allowed to allocate plan contributions and designate beneficiaries. The Foundation'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 Foundation's general assets and are subject to the claims of its creditors. All rights to amounts held under the plan are owned by the Foundation. Therefore, the Foundation 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

The Foundation has various defined benefit pension plans (the "Plan") covering certain employees. Benefits are based on years of service and compensation. Contributions are determined in accordance with each Plan's provisions. As of the year ended December 31, 2015 and 2014, the Foundation has recorded an accrued net pension liability of $1,177,538 and $1,217,329, respectively, in relation to the Plans. Due to their relative size in relation to the combined financial statements of the Foundation, additional disclosures are not included.

15. Commitments and Contingencies

The Foundation has 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	$	**4,681,000**
2017		**1,375,000**
2018		**843,765**
Total commitments	$	**6,899,765**

The Foundation 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 Foundation's financial condition.

16. Subsequent Events

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

As discussed in Note 1, the National Office acquired the charters of all remaining Chartered Entities during 2016. These entities will continue to operate as one entity under common control.