

AMERICAN LIVER FOUNDATION

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

SEPTEMBER 30, 2014

AMERICAN LIVER FOUNDATION

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**Board of Directors
American Liver Foundation**

Report on the Financial Statements

We have audited the accompanying financial statements of American Liver Foundation, which comprise the balance sheet as of September 30 2014, 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 American Liver Foundation as of September 30, 2014, 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.

Report on Summarized Comparative Information

We have previously audited American Liver Foundation's September 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 30, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb & Troper LLP

May 29, 2015

AMERICAN LIVER FOUNDATION

BALANCE SHEET

SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 1,176,018	\$ 492,819
Investments (Note 3)	2,495,580	2,302,247
Contributions receivable - current	244,684	564,929
Prepaid expenses and other assets	234,567	252,546
Fixed assets - net (Note 4)	<u>346,916</u>	<u>419,372</u>
Total assets	<u>\$ 4,497,765</u>	<u>\$ 4,031,913</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 253,419	\$ 402,517
Accrued payroll and related liabilities	250,765	240,317
Funds held on behalf of others (Note 2)	859,702	894,724
Awards and grants payable (Note 2)	150,000	337,939
Loan payable (Note 5)	553,295	784,280
Deferred rent payable (Note 9)	<u>218,889</u>	<u>213,028</u>
Total liabilities	<u>2,286,070</u>	<u>2,872,805</u>
Net assets (deficit) (Exhibit B)		
Unrestricted	(142,748)	(1,296,940)
Temporarily restricted (Note 6)	1,362,408	1,464,013
Permanently restricted (Note 7)	<u>992,035</u>	<u>992,035</u>
Total net assets	<u>2,211,695</u>	<u>1,159,108</u>
Total liabilities and net assets	<u>\$ 4,497,765</u>	<u>\$ 4,031,913</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

AMERICAN LIVER FOUNDATION

EXHIBIT B

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2014
(With Summarized Financial Information
for the Year Ended September 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2014	2013
Revenues, gains, losses and other support					
Contributions and grants	\$ 2,039,547	\$ 444,357		\$ 2,483,904	\$ 2,163,307
Sale of merchandise	1,523			1,523	3,475
Investment income (loss) (Note 3)	73,575	84,671		158,246	(40,856)
Special events revenues	\$ 6,549,117				
Direct costs of special events	(969,284)			5,579,833	5,084,163
Net assets released from restrictions (Note 6)	630,633	(630,633)			
Total revenues, gains, losses and other support	8,325,111	(101,605)		8,223,506	7,210,089
Expenses (Exhibit C)					
Program services					
Public education	1,543,042			1,543,042	1,176,519
Research	315,018			315,018	505,152
Professional education	934,718			934,718	939,090
Patient support	1,303,987			1,303,987	1,299,258
Community services	1,345,437			1,345,437	1,139,133
Total program services	5,442,202			5,442,202	5,059,152
Supporting services					
Management and general	548,494			548,494	555,997
Fund raising	1,180,223			1,180,223	1,326,477
Total supporting services	1,728,717			1,728,717	1,882,474
Total expenses	7,170,919			7,170,919	6,941,626
Change in net assets (Exhibit D)	1,154,192	(101,605)		1,052,587	268,463
Net assets (deficit) - beginning of year	(1,296,940)	1,464,013	\$ 992,035	1,159,108	890,645
Net assets (deficit) - end of year (Exhibit A)	\$ (142,748)	\$ 1,362,408	\$ 992,035	\$ 2,211,695	\$ 1,159,108

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2014
(With Summarized Financial Information
for the Year Ended September 30, 2013)

	Program Services					Supporting Services				Total		
	Public Education	Research	Professional Education	Patient Support	Community Services	Total	Management and General	Fund Raising	Direct Costs of Special Events	Total	2014	2013
Salaries and related expenses	\$ 900,899	\$ 99,182	\$ 590,957	\$ 933,959	\$ 760,392	\$ 3,285,389	\$ 301,677	\$ 545,498		\$ 847,175	\$ 4,132,564	\$ 4,237,357
Awards and grants		177,500				177,500					177,500	223,454
Depreciation and amortization	26,999	1,855	11,053	27,617	24,371	91,895	5,643	10,203		15,846	107,741	111,279
Computer support services	58,091	6,395	38,106	60,223	49,031	211,846	19,453	35,174		54,627	266,473	250,152
Media	224,205	54	319	505	25,038	250,121	163	9,395		9,558	259,679	33,389
Postage and shipping	3,911	384	5,108	3,619	5,304	18,326	1,169	40,650		41,819	60,145	85,863
Printing, publishing and copying	39,351	392	4,165	3,690	33,651	81,249	1,192	76,109		77,301	158,550	143,055
Professional services	67,708	7,338	45,750	69,102	249,761	439,659	91,173	48,169		139,342	579,001	415,095
Occupancy (Note 9)	130,716	14,390	87,705	135,512	110,329	478,652	43,772	78,977		122,749	601,401	621,174
Insurance	11,159	1,229	7,320	11,569	9,419	40,696	3,737	6,757		10,494	51,190	37,517
Supplies	7,243	556	3,950	5,238	10,190	27,177	1,692	15,992		17,684	44,861	42,721
Telephone and internet	16,324	1,773	10,565	16,697	13,594	58,953	5,393	9,752		15,145	74,098	82,090
Travel	37,502	2,448	55,916	23,053	32,939	151,858	7,446	30,442		37,888	189,746	182,071
Hotel, catering and other event expenses	6,701	110	65,330	1,039	11,522	84,702	336	98,894	\$ 969,284	1,068,514	1,153,216	1,251,468
Interest							70,509			70,509	70,509	77,726
Credit card fees								139,503		139,503	139,503	123,205
Other expenses	12,233	1,412	8,474	12,164	9,896	44,179	3,929	34,708		38,637	82,816	76,332
Total expenses	1,543,042	315,018	934,718	1,303,987	1,345,437	5,442,202	557,284	1,180,223	969,284	2,706,791	8,148,993	7,993,948
Less expenses deducted directly from revenues												
Direct costs of special events									(969,284)	(969,284)	(969,284)	(1,047,014)
Investment fees							(8,790)			(8,790)	(8,790)	(5,308)
Total expenses reported by function on statement of activities (Exhibit B)	\$ 1,543,042	\$ 315,018	\$ 934,718	\$ 1,303,987	\$ 1,345,437	\$ 5,442,202	\$ 548,494	\$ 1,180,223	\$ -	\$ 1,728,717	\$ 7,170,919	\$ 6,941,626

See independent auditor's report.

The accompanying notes are an integral part of these statements.

AMERICAN LIVER FOUNDATION

STATEMENT OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 1,052,587	\$ 268,463
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	107,741	111,279
Net realized and unrealized (gain) loss on investments	(119,325)	110,207
Decrease (increase) in assets		
Contributions receivable	320,245	375,399
Prepaid expenses and other assets	17,979	(40,670)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(149,098)	(188,672)
Accrued payroll and related liabilities	10,448	(61,128)
Funds held on behalf of others	(35,022)	(94,259)
Awards and grants payable	(187,939)	(271,875)
Deferred rent payable	5,861	30,864
Net cash provided by operating activities	<u>1,023,477</u>	<u>239,608</u>
Cash flows from investing activities		
Purchase of investments	(120,915)	(149,388)
Proceeds from sale of investments	46,907	106,704
Fixed asset acquisitions	(35,285)	(74,967)
Net cash used by investing activities	<u>(109,293)</u>	<u>(117,651)</u>
Cash flows from financing activities		
Principal payments on loans	(480,985)	(207,143)
Proceeds from loan	250,000	200,000
Net cash used by financing activities	<u>(230,985)</u>	<u>(7,143)</u>
Net change in cash and cash equivalents	683,199	114,814
Cash and cash equivalents - beginning of year	<u>492,819</u>	<u>378,005</u>
Cash and cash equivalents - end of year	<u>\$ 1,176,018</u>	<u>\$ 492,819</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 70,509</u>	<u>\$ 77,726</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

AMERICAN LIVER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - NATURE OF ORGANIZATION

American Liver Foundation (the "Foundation") is a national nonprofit organization supporting liver health education, advocacy and disease prevention. The Foundation provides funds for research, public, patient and professional education programs, support services, broad awareness activities and advocacy for those affected by liver-related diseases.

The Foundation has 17 divisions throughout the United States. The divisions conduct community-based programs that provide the most up-to-date information on disease-specific and treatment issues, address the trends in hepatology research and connect individuals and groups to information and services they need. The Foundation's programmatic efforts address the needs of liver patients and their families; the general public; health care and social service professionals; health care institutions; local, state and federal legislators and policy makers; and advocacy groups and community-based organizations. The Foundation operates a helpline providing basic disease information in Spanish and English. The results of these activities are reflected in the accompanying financial statements.

American Liver Foundation is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a).

The Foundation is supported primarily by special events, individual and corporate contributions and grants.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - Cash and cash equivalents include highly liquid instruments with maturities, when acquired, of three months or less at the date of purchase.

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AMERICAN LIVER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments - Investments are stated at fair value. The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the Foundation's financial statements.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be allocated in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in the contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Allowance for doubtful accounts - The Foundation has determined that no allowance for uncollectible accounts for contributions receivable is necessary as of September 30, 2014. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions, subsequent collections and historical information.

Prepaid expenses and other assets - Payments made to vendors for expenses that overlap more than one fiscal year are recorded as prepaid expenses. Other assets are security deposits.

Fixed assets - Fixed assets with a cost in excess of \$500 and an estimated useful life greater than one year are capitalized. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the term of the lease or the estimated useful lives of the assets, whichever is shorter.

Funds held on behalf of others - The Foundation acts as an administrator for funds collected on behalf of liver transplant patients. The Foundation disburses funds to cover the cost of properly documented post-surgery expenses.

Awards and grants payable - Liver Scholars Awards, Special Research Initiative Awards, Seed Grant Awards and post-doctoral research fellowships are expensed in the year granted and are subject to an annual review and renewal process. All awards and grants payable are current for the fiscal year ended September 30, 2014.

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AMERICAN LIVER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Net assets - Unrestricted net assets includes funds having no restriction as to use or purpose imposed by donors. Temporarily restricted net assets are those funds restricted by donors, to be used for a specified time period or purpose. Permanently restricted net assets are for investment in perpetuity, the income from which is restricted for various research projects as stipulated by donors.

Functional expenses - The costs of providing the Foundation's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Rent expense - The Foundation leases space at various locations. All leases are operating leases. All leases are reflected on the straight-line basis. When material, deferred rent is recorded.

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value in accordance with generally accepted accounting principles. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

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AMERICAN LIVER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at September 30, 2014 as compared to that used at September 30, 2013.

Mutual funds (including money market mutual funds) - Valued at the net asset value (NAV) of shares held at year end.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The investments at September 30, 2014 are disclosed in Note 3 by level within the fair value hierarchy.

Uncertainty in income taxes - The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending September 30, 2011 and subsequent remain subject to review by applicable taxing authorities.

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AMERICAN LIVER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events - Subsequent events have been evaluated through May 29, 2015, which is the date the financial statements were available to be issued.

Summarized financial information for 2013 - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended September 30, 2013, from which the summarized information was derived. Deferred rent payable was segregated from accounts payable and accrued expenses for 2013 to conform to the current-year presentation.

NOTE 3 - INVESTMENTS

	2014	2013
	Level 1	Level 1
Money market mutual funds	\$ 395,751	\$ 341,203
Mutual funds		
U.S. equity	695,759	604,465
International equity	212,213	214,490
Emerging markets	41,254	38,605
Real asset securities	122,399	116,990
Fixed income	<u>1,028,204</u>	<u>986,494</u>
	<u>\$ 2,495,580</u>	<u>\$ 2,302,247</u>

Investment income (loss) consists of the following:

	2014	2013
Interest and dividends	\$ 47,711	\$ 74,659
Realized gains	16,979	151,025
Unrealized gains (losses) - net	102,346	(261,232)
Investment fees	<u>(8,790)</u>	<u>(5,308)</u>
	<u>\$ 158,246</u>	<u>\$ (40,856)</u>

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AMERICAN LIVER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 4 - FIXED ASSETS

	<u>2014</u>	<u>2013</u>	<u>Estimated Useful Lives</u>
Building and improvements	\$ 456,786	\$ 456,786	40 years
Leasehold improvements	108,331	83,389	4 - 10 years
Office equipment	434,838	427,445	5 years
Computers and peripherals	<u>620,654</u>	<u>617,704</u>	3 years
	1,620,609	1,585,324	
Less accumulated depreciation and amortization	<u>(1,273,693)</u>	<u>(1,165,952)</u>	
	<u>\$ 346,916</u>	<u>\$ 419,372</u>	

NOTE 5 - LOAN PAYABLE

On February 10, 2010, the Foundation obtained a loan from a board member to repay a pre-existing line of credit. The loan is secured by an office condominium owned by the Foundation. The original loan amount was \$880,000 with an interest rate of 5.75% per annum. On May 1, 2013, the loan was amended to extend the due date to February 10, 2014. The interest rate increased to 8.5% with monthly payments based on a 20-year amortization. On February 4, 2014, the note was extended with the same terms with a new maturity date of February 28, 2016. The balance due on the loan as of September 30, 2014 is \$553,295. The loan was repaid in 2015.

On November 7, 2013, the Foundation obtained an additional loan from the same board member. The \$250,000 loan was unsecured, with an interest rate of 8.25% per annum and matured on June 30, 2014. The outstanding principal balance and the interest payments were repaid in full prior to the due date.

Principal payments on loans from related parties and the related interest expense was \$480,985 and \$70,509, respectively, for the year ended September 30, 2014.

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AMERICAN LIVER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 5 - LOAN PAYABLE (continued)

Future principal payments are as follows:

<u>Year Ending September 30</u>		
2015	\$	28,191
2016		<u>525,104</u>
	\$	<u><u>553,295</u></u>

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Research program	\$ 988,954	\$ 1,006,505
Community services	<u>373,454</u>	<u>457,508</u>
	<u>\$ 1,362,408</u>	<u>\$ 1,464,013</u>

During 2014, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes specified by donors:

Research program	\$ 177,500
Community services	<u>453,133</u>
	<u>\$ 630,633</u>

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS

General

Permanently restricted net assets of \$992,035 are for investment in perpetuity, the income from which is restricted for various research projects as stipulated by donors. As required by GAAP, net assets associated with permanently restricted funds are classified and reported based on the existence of donor-imposed restrictions.

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AMERICAN LIVER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS (continued)

Interpretation of Relevant Law

The Board of Directors of the Foundation has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the “historic dollar value” standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The Foundation is now governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7%. As a result of this interpretation, 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 the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Return Objectives, Strategies Employed and Spending Policy

The objective of the Foundation is to grow the endowment funds to maintain purchasing power. The investment policy to achieve this objective is to invest in mutual funds and money market funds. Investment income earned in relation to the endowment funds is recorded as temporarily restricted income and released from restriction upon expenditure for the program for which the endowment fund was established. The Foundation appropriated \$33,339 in 2014.

Funds with Deficiencies

The Foundation does not have any funds with deficiencies.

Endowment Net Asset Composition by Type of Fund as of September 30, 2014

The endowment net assets composition of \$1,142,761 comprises \$150,726 of temporarily restricted net assets and \$992,035 of permanently restricted net assets.

AMERICAN LIVER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS (continued)

Changes in Endowment Net Assets for the Year Ended September 30, 2014

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 99,394	\$ 992,035	\$ 1,091,429
Interest and dividends	20,859		20,859
Realized and unrealized gain	63,812		63,812
Appropriated for endowment assets for expenditure	<u>(33,339)</u>		<u>(33,339)</u>
Endowment net assets, end of year	<u>\$ 150,726</u>	<u>\$ 992,035</u>	<u>\$ 1,142,761</u>

NOTE 8 - PENSION PLAN

The Foundation has a 403(b) defined contribution pension plan, which was amended in 2011 to allow for employer contributions. The employer matches 50% of the first 2% of salary contributed to the Plan by eligible participants. All active employees are covered by the plan. Pension expense was \$14,939 for the year ended September 30, 2014.

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AMERICAN LIVER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 9 - LEASE COMMITMENTS

The Foundation rents space under several noncancelable operating leases with expiration dates beginning in fiscal year 2015 through fiscal year 2020. Rent is being expensed on the straight-line method over the term of the lease. The following are the total future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year:

<u>Year Ending</u> <u>September 30</u>	
2015	\$ 552,698
2016	524,499
2017	386,243
2018	379,393
2019	383,167
Thereafter	<u>434,110</u>
	<u>\$ 2,660,110</u>

Rent expense for fiscal year 2014 was \$562,014. Deferred rent payable was \$218,889 as of September 30, 2014.

NOTE 10 - CONCENTRATIONS

Financial instruments which potentially subject the Foundation to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.

NOTE 11 - SUBSEQUENT EVENTS

On October 15, 2014, the Foundation completed the sale of two condominium units that it owned in New Jersey. The selling price of the units was \$385,000 which, after closing costs, yielded net proceeds of \$356,580. Under the terms of the associated loan, the proceeds from the sale were used to repay loan principal. The balance due on the loan after applying the proceeds from the sale was \$194,457. The terms of the loan remain the same.