

**AMERICAN LIVER FOUNDATION**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**SEPTEMBER 30, 2015**

# **AMERICAN LIVER FOUNDATION**

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## **Independent Auditor's Report**

**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, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Liver Foundation as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited American Liver Foundation's September 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 29, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Loeb & Troper LLP*

April 6, 2016

## AMERICAN LIVER FOUNDATION

## BALANCE SHEET

SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 668,425	\$ 1,176,018
Investments (Note 3)	2,519,312	2,495,580
Contributions receivable - current	593,227	244,684
Prepaid expenses and other assets	242,936	234,567
Fixed assets - net (Note 4)	<u>132,851</u>	<u>346,916</u>
Total assets	<u>\$ 4,156,751</u>	<u>\$ 4,497,765</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 229,184	\$ 253,419
Accrued payroll and related liabilities	284,780	250,765
Funds held on behalf of others (Note 2)	829,312	859,702
Awards and grants payable (Note 2)	206,250	150,000
Loan payable (Note 5)		553,295
Deferred rent payable (Note 9)	<u>208,126</u>	<u>218,889</u>
Total liabilities	<u>1,757,652</u>	<u>2,286,070</u>
Net assets (deficit) (Exhibit B)		
Unrestricted	(283,235)	(142,748)
Temporarily restricted (Note 6)	1,690,299	1,362,408
Permanently restricted (Note 7)	<u>992,035</u>	<u>992,035</u>
Total net assets	<u>2,399,099</u>	<u>2,211,695</u>
Total liabilities and net assets	<u>\$ 4,156,751</u>	<u>\$ 4,497,765</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, 2015  
(With Summarized Financial Information  
for the Year Ended September 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2015	2014
Revenues, gains, losses and other support					
Contributions and grants	\$ 1,864,845	\$ 710,647		\$ 2,575,492	\$ 2,483,904
Investment income (Note 3)	8,352	5,398		13,750	158,246
Special events revenues	\$ 5,992,297				
Direct costs of special events	<u>(922,663)</u>	5,069,634		5,069,634	5,579,833
Gain on sale of property		183,049		183,049	
Other income		10,762		10,762	1,523
Net assets released from restrictions (Note 6)		<u>388,154</u>	<u>(388,154)</u>		
Total revenues, gains, losses and other support	<u>7,524,796</u>	<u>327,891</u>		<u>7,852,687</u>	<u>8,223,506</u>
Expenses (Exhibit C)					
Program services					
Public education	1,815,610			1,815,610	1,543,042
Research	427,298			427,298	315,018
Professional education	1,079,383			1,079,383	934,718
Patient support	1,373,620			1,373,620	1,303,987
Community services	<u>1,225,111</u>			<u>1,225,111</u>	<u>1,345,437</u>
Total program services	<u>5,921,022</u>			<u>5,921,022</u>	<u>5,442,202</u>
Supporting services					
Management and general	699,112			699,112	548,494
Fund raising	<u>1,045,149</u>			<u>1,045,149</u>	<u>1,180,223</u>
Total supporting services	<u>1,744,261</u>			<u>1,744,261</u>	<u>1,728,717</u>
Total expenses	<u>7,665,283</u>			<u>7,665,283</u>	<u>7,170,919</u>
Change in net assets (Exhibit D)	(140,487)	327,891		187,404	1,052,587
Net assets (deficit) - beginning of year	<u>(142,748)</u>	<u>1,362,408</u>	\$ <u>992,035</u>	<u>2,211,695</u>	<u>1,159,108</u>
Net assets (deficit) - end of year (Exhibit A)	\$ <u>(283,235)</u>	\$ <u>1,690,299</u>	\$ <u>992,035</u>	\$ <u>2,399,099</u>	\$ <u>2,211,695</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2015  
(With Summarized Financial Information  
for the Year Ended September 30, 2014)

	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	2015	2014
Salaries and related expenses	\$ 906,839	\$ 105,490	\$ 600,109	\$ 951,454	\$ 757,421	\$ 3,321,313	\$ 347,496	\$ 463,926		\$ 811,422	\$ 4,132,735	\$ 4,132,564
Awards and grants		275,000				275,000					275,000	177,500
Depreciation and amortization	18,032	2,098	11,933	18,919	15,059	66,041	6,910	9,222		16,132	82,173	107,741
Computer support services	90,507	6,629	37,708	59,785	47,589	242,218	21,835	31,412		53,247	295,465	266,473
Media	231,126	201	1,445	1,810	9,648	244,230	661	9,798		10,459	254,689	259,679
Postage and shipping	6,757	411	4,158	3,709	4,010	19,045	1,355	37,308		38,663	57,708	60,145
Printing, publishing and copying	23,208	320	5,448	2,887	19,571	51,434	1,054	76,769		77,823	129,257	158,550
Professional services	239,827	12,682	95,483	114,380	151,436	613,808	95,065	150,662		245,727	859,535	579,001
Occupancy (Note 9)	133,037	15,476	88,038	139,582	111,108	487,241	50,979	67,218		118,197	605,438	601,401
Insurance	11,262	1,310	7,453	11,816	9,406	41,247	4,315	5,759		10,074	51,321	51,190
Supplies	6,761	652	5,554	5,880	20,014	38,861	2,148	16,283		18,431	57,292	44,861
Telephone and internet	18,575	1,897	10,792	17,110	13,619	61,993	6,249	8,639		14,888	76,881	74,098
Travel	106,289	3,615	89,829	32,608	32,100	264,441	11,909	37,615		49,524	313,965	189,746
Hotel, catering and other event expenses	10,917	213	103,756	1,917	24,760	141,563	700	86,241	\$ 922,663	1,009,604	1,151,167	1,153,216
Interest							11,669			11,669	11,669	70,509
Credit card fees							131,485			131,485	131,485	139,503
Other expenses	12,473	1,304	17,677	11,763	9,370	52,587	14,454	44,297		58,751	111,338	82,816
<b>Total expenses</b>	<b>1,815,610</b>	<b>427,298</b>	<b>1,079,383</b>	<b>1,373,620</b>	<b>1,225,111</b>	<b>5,921,022</b>	<b>708,284</b>	<b>1,045,149</b>	<b>922,663</b>	<b>2,676,096</b>	<b>8,597,118</b>	<b>8,148,993</b>
Less expenses deducted directly from revenues												
Direct costs of special events									(922,663)	(922,663)	(922,663)	(969,284)
Investment fees							(9,172)			(9,172)	(9,172)	(8,790)
<b>Total expenses reported by function on statement of activities (Exhibit B)</b>	<b>\$ 1,815,610</b>	<b>\$ 427,298</b>	<b>\$ 1,079,383</b>	<b>\$ 1,373,620</b>	<b>\$ 1,225,111</b>	<b>\$ 5,921,022</b>	<b>\$ 699,112</b>	<b>\$ 1,045,149</b>	<b>\$ -</b>	<b>\$ 1,744,261</b>	<b>\$ 7,665,283</b>	<b>\$ 7,170,919</b>

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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 187,404	\$ 1,052,587
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	82,173	107,741
Net realized and unrealized loss (gain) on investments	37,653	(119,325)
Gain on sale of property	(183,049)	
Decrease (increase) in assets		
Contributions receivable	(348,543)	320,245
Prepaid expenses and other assets	(8,369)	17,979
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(24,235)	(149,098)
Accrued payroll and related liabilities	34,015	10,448
Funds held on behalf of others	(30,390)	(35,022)
Awards and grants payable	56,250	(187,939)
Deferred rent payable	(10,763)	5,861
Net cash provided (used) by operating activities	<u>(207,854)</u>	<u>1,023,477</u>
Cash flows from investing activities		
Purchase of investments	(196,062)	(120,915)
Proceeds from sale of investments	134,677	46,907
Fixed asset acquisitions	(41,638)	(35,285)
Proceeds from sale of property	356,579	
Net cash provided (used) by investing activities	<u>253,556</u>	<u>(109,293)</u>
Cash flows from financing activities		
Principal payments on loans payable	(553,295)	(480,985)
Proceeds from loan		250,000
Net cash used by financing activities	<u>(553,295)</u>	<u>(230,985)</u>
Net change in cash and cash equivalents	(507,593)	683,199
Cash and cash equivalents - beginning of year	<u>1,176,018</u>	<u>492,819</u>
Cash and cash equivalents - end of year	<u>\$ 668,425</u>	<u>\$ 1,176,018</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 11,669</u>	<u>\$ 70,509</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, 2015**

**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 national helpline providing basic disease information in English.

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 equivalents include certain investments in highly liquid instruments with original maturities, when acquired, of three months or less.

**AMERICAN LIVER FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Investments*** - Investments are reported 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, 2015. 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.

***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, 2015.

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**AMERICAN LIVER FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**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 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, 2015**

**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, 2015 as compared to that used at September 30, 2014.

*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, 2015 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, 2012 and subsequent remain subject to review by applicable taxing authorities.

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**AMERICAN LIVER FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Subsequent events* - Subsequent events have been evaluated through April 6, 2016, which is the date the financial statements were available to be issued.

*Summarized financial information for 2014* - 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, 2014, from which the summarized information was derived. Sale of merchandise as previously reported in 2014 has been combined with other income on the statement of activities to conform to the current year's presentation.

**NOTE 3 - INVESTMENTS**

	<b>2015</b>	<b>2014</b>
	<b>Level 1</b>	<b>Level 1</b>
	<u>          </u>	<u>          </u>
Mutual funds		
Money market	\$ 528,150	\$ 395,751
U.S. equity	633,798	695,759
International equity	199,736	212,213
Emerging markets	33,562	41,254
Real asset securities	119,190	122,399
Fixed income	<u>1,004,876</u>	<u>1,028,204</u>
	<u>\$ 2,519,312</u>	<u>\$ 2,495,580</u>

Investment income (loss) consists of the following:

	<b>2015</b>	<b>2014</b>
	<u>          </u>	<u>          </u>
Interest and dividends	\$ 60,575	\$ 47,711
Realized gains - net	70,498	16,979
Unrealized gains (losses) - net	(108,151)	102,346
Investment fees	<u>(9,172)</u>	<u>(8,790)</u>
	<u>\$ 13,750</u>	<u>\$ 158,246</u>

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**AMERICAN LIVER FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 4 - FIXED ASSETS**

	<u>2015</u>	<u>2014</u>	<u>Estimated Useful Lives</u>
Building and improvements		\$ 456,786	40 years
Leasehold improvements	\$ 97,448	108,331	4 - 10 years
Office equipment	443,385	434,838	5 years
Computers and peripherals	<u>651,745</u>	<u>620,654</u>	3 years
	1,192,578	1,620,609	
Less accumulated depreciation and amortization	<u>(1,059,727)</u>	<u>(1,273,693)</u>	
	<u>\$ 132,851</u>	<u>\$ 346,916</u>	

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 \$356,579. Under the terms of the associated loan, the proceeds from the sale were used to repay loan principal.

**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 was 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 loan was repaid in full in April 2015.

Principal payments on loans from related parties and the related interest expense was \$553,295 and \$11,669, respectively, for the year ended September 30, 2015.

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**AMERICAN LIVER FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Research program	\$ 757,433	\$ 988,954
Community services	<u>932,866</u>	<u>373,454</u>
	<u>\$ 1,690,299</u>	<u>\$ 1,362,408</u>

During 2015, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes specified by donors:

Research program	\$ 275,000
Community services	<u>113,154</u>
	<u>\$ 388,154</u>

**NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS**

**General**

Permanently restricted net assets consisting of six funds totaling \$992,035, are restricted to investment in perpetuity, the income from which is restricted for six 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.

**Interpretation of Relevant Law**

The Board of Directors of the Foundation 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 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.

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**AMERICAN LIVER FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS (continued)**

**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 \$75,000 in 2015.

**Funds with Deficiencies**

The Foundation does not have any funds with deficiencies.

**Endowment Net Asset Composition by Type of Fund as of September 30, 2015**

The endowment net assets composition of \$1,073,154 comprises \$81,124 of temporarily restricted net assets and \$992,035 of permanently restricted net assets.

**Changes in Endowment Net Assets for the Year Ended September 30, 2015**

	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year	\$ 150,726	\$ 992,035	\$ 1,142,761
Interest and dividends	28,033		28,033
Realized and unrealized loss	(22,635)		(22,635)
Appropriated for endowment assets for expenditure	<u>(75,000)</u>	<u>                    </u>	<u>(75,000)</u>
Endowment net assets, end of year	<u>\$ 81,124</u>	<u>\$ 992,035</u>	<u>\$ 1,073,159</u>

**NOTE 8 - PENSION PLAN**

The Foundation has a 403(b) defined contribution pension plan. 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 \$18,121 for the year ended September 30, 2015.

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**AMERICAN LIVER FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 9 - LEASE COMMITMENTS**

The Foundation rents space under several noncancelable operating leases with expiration dates beginning in fiscal year 2016 through fiscal year 2021. 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>	
2016	\$ 579,294
2017	508,932
2018	502,123
2019	503,902
2020	324,729
Thereafter	<u>109,380</u>
	<u>\$ 2,528,360</u>

Rent expense for fiscal year 2015 was \$574,983. Deferred rent payable was \$208,126 as of September 30, 2015.

**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 December 30, 2015, the Foundation obtained a \$250,000 unsecured loan from a board member. The loan bears interest at 8.25% and is due on June 30, 2016. On February 18, 2016, a loan payment of \$150,000 was made, reducing the outstanding balance to \$100,000.