AMERICAN HEART ASSOCIATION, INC.

Financial Statements

June 30, 2016

(With Independent Auditors' Report Thereon)

AMERICAN HEART ASSOCIATION, INC.

Table of Contents

KPMG LLP
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2323 Ross Avenue
Dallas, TX 75201-2709

Independent Auditors' Report

The Board of Directors
American Heart Association, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the American Heart Association, Inc. (the Association), which comprise the statement of financial position as of June 30, 2016, 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 U.S. generally accepted accounting principles; 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.

Auditors' 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 auditors' 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 organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Heart Association, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

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

KPMG LLP

October 31, 2016

Financial Statements

AMERICAN HEART ASSOCIATION, INC.

Statement of Activities

Year ended June 30, 2016

(with summarized comparative totals for the year ended June 30, 2015)

(In thousands)

		Unrestricted	Temporarily restricted	Permanently restricted	2016 Total	2015 Total
Revenue:						
Public support:						
Contributions	$	69,633	111,232	7	180,872	148,451
Contributed services and materials		70,556	—	—	70,556	81,819
Special events		294,903	81,798	—	376,701	359,558
Less direct donor benefits		(42,892)	—	—	(42,892)	(39,354)
Bequests		61,177	17,305	234	78,716	80,318
Split-interest agreements		250	303	1,030	1,583	2,499
Federated and nonfederated fund-raising organizations		1,841	2,428	—	4,269	5,011
Total public support		455,468	213,066	1,271	669,805	638,302
Other revenue:						
Program fees		26,008	—	—	26,008	25,301
Sales of educational materials		136,025	—	—	136,025	100,102
Membership dues		3,565	—	—	3,565	3,253
Grants from government agencies		9,212	—	—	9,212	5,217
Interest and dividends, net of fees		9,367	1,023	—	10,390	11,623
Net realized and unrealized losses on investments		(5,969)	(603)	—	(6,572)	(3,727)
Perpetual trust distributions		5,096	1,536	—	6,632	7,103
Net unrealized losses on beneficial interest in perpetual trusts		—	—	(9,884)	(9,884)	(5,421)
Change in value of split-interest agreements		566	(3,538)	(37)	(3,009)	103
Royalty revenue		17,992	—	—	17,992	19,209
Miscellaneous revenue (losses), net		6,417	(3,227)	—	3,190	7,020
Total other revenue		208,279	(4,809)	(9,921)	193,549	169,783
Net assets released from restrictions:						
Satisfaction of purpose restrictions		101,185	(101,185)	—	—	—
Expiration of time restrictions		73,010	(73,010)	—	—	—
Total net assets released from restrictions		174,195	(174,195)	—	—	—
Total revenue		837,942	34,062	(8,650)	863,354	808,085

(Continued)

AMERICAN HEART ASSOCIATION, INC.

Statement of Activities

Year ended June 30, 2016

(with summarized comparative totals for the year ended June 30, 2015)

(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	2016 Total	2015 Total
Expenses:					
Program services:					
Research – to acquire new knowledge through biomedical investigation by providing financial support to academic institutions and scientists	$ 174,692	—	—	174,692	151,211
Public health education – to inform the public about the prevention and treatment of cardiovascular diseases and stroke	316,426	—	—	316,426	303,873
Professional education and training – to improve the knowledge, skills, and techniques of health professionals	143,869	—	—	143,869	121,933
Community services – to provide organized training in emergency aid, blood pressure screening, and other community-wide activities	69,983	—	—	69,983	56,934
Total program services	704,970	—	—	704,970	633,951
Supporting services:					
Management and general – to provide executive direction, financial management, overall planning, and coordination of the Association's activities	60,816	—	—	60,816	60,470
Fundraising – to secure financial support from the public	96,117	—	—	96,117	88,867
Total supporting services	156,933	—	—	156,933	149,337
Total program and supporting services expenses	861,903	—	—	861,903	783,288
Change in net assets before postretirement changes other than net periodic benefit cost	(23,961)	34,062	(8,650)	1,451	24,797
Postretirement changes other than net periodic benefit cost	(240)	—	—	(240)	(203)
Change in net assets	(24,201)	34,062	(8,650)	1,211	24,594
Net assets, beginning of year	405,838	291,511	190,850	888,199	863,605
Net assets, end of year	$ 381,637	325,573	182,200	889,410	888,199

See accompanying notes to financial statements.

AMERICAN HEART ASSOCIATION, INC.

Statement of Functional Expenses

Year ended June 30, 2016

(with summarized comparative totals for the year ended June 30, 2015)

(In thousands)

	Research	Public health education	Professional education/ training	Community services	Subtotal program services	Management and general	Fundraising	Subtotal supporting services	2016 Total	2015 Total
Salaries, taxes, and benefits	$ 4,949	160,059	43,531	29,818	238,357	41,990	57,379	99,369	337,726	306,714
Awards and grants	152,911	7,022	4,591	5,653	170,177	—	—	—	170,177	148,521
Occupancy	48	9,534	1,084	1,755	12,421	1,719	2,578	4,297	16,718	15,995
Printing and publication	19	76,353	34,674	11,905	122,951	1,972	9,401	11,373	134,324	133,035
Conferences, meetings, and travel	1,222	14,573	19,094	4,561	39,450	5,025	8,573	13,598	53,048	47,014
Professional fees	15,021	22,660	33,429	11,188	82,298	2,250	4,037	6,287	88,585	78,719
Other operating expenses	331	21,884	4,675	3,732	30,622	6,547	12,783	19,330	49,952	43,261
Depreciation and amortization	191	4,341	2,791	1,371	8,694	1,313	1,366	2,679	11,373	10,029
Total functional expenses before direct donor benefits	174,692	316,426	143,869	69,983	704,970	60,816	96,117	156,933	861,903	783,288
Direct donor benefits	—	—	—	—	—	—	—	—	42,892	39,354
Total functional expenses and direct donor benefits	$ 174,692	316,426	143,869	69,983	704,970	60,816	96,117	156,933	904,795	822,642

See accompanying notes to financial statements.

AMERICAN HEART ASSOCIATION, INC.

Balance Sheet

June 30, 2016

(with comparative amounts for June 30, 2015)

(In thousands)

Assets		2016	2015
Cash and cash equivalents	$	81,610	23,374
Investments		692,765	768,026
Receivables:			
Pledges, net		198,675	150,986
Exchange transactions		16,576	14,245
Other		21,333	17,997
Bequests		20,144	10,355
Split-interest agreements, net		67,012	73,288
Prepaid expenses and other assets		21,921	16,912
Beneficial interest in perpetual trusts		136,985	145,839
Land, buildings, and equipment, net		69,426	70,044
Total assets	$	1,326,447	1,291,066
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	77,380	71,261
Deferred revenue		9,085	6,827
Research awards payable		315,573	288,044
Other liabilities		34,999	36,735
Total liabilities		437,037	402,867
Net assets:			
Unrestricted:			
Available for research, program, and supporting activities		312,211	335,794
Investment in land, buildings, and equipment		69,426	70,044
Total unrestricted		381,637	405,838
Temporarily restricted		325,573	291,511
Permanently restricted		182,200	190,850
Total net assets		889,410	888,199
Total liabilities and net assets	$	1,326,447	1,291,066

See accompanying notes to financial statements.

AMERICAN HEART ASSOCIATION, INC.
Statement of Cash Flows
Year ended June 30, 2016
(with comparative amounts for the year ended June 30, 2015)
(In thousands)

		2016	2015
Cash flows from operating activities:			
Change in net assets	$	1,211	24,594
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		11,373	10,029
Net realized and unrealized losses on investments		6,572	3,727
Net unrealized losses on beneficial interest in perpetual trusts		9,884	5,500
Change in value of split-interest agreements		3,009	(103)
Losses (gains) on sale of fixed assets		7	(5,164)
Losses on uncollectible accounts and settlement of receivables		3,478	2,477
Contributions to endowment		(241)	(1,071)
Changes in operating assets and liabilities:			
Receivables		(66,625)	(22,674)
Prepaid expenses and other assets		(5,009)	(1,468)
Beneficial interest in perpetual trusts		(1,030)	(107)
Split-interest agreements		1,329	667
Accounts payable and accrued expenses		6,119	7,016
Deferred revenue		2,258	(477)
Research awards payable		27,529	12,580
Other liabilities		653	(463)
Net cash provided by operating activities		517	35,063
Cash flows from investing activities:			
Purchases of fixed assets		(10,472)	(13,549)
Proceeds from sale of fixed assets		1	9,498
Purchases of investments		(315,836)	(287,123)
Proceeds from sales/maturities of investments		384,525	243,054
Net cash provided by (used in) investing activities		58,218	(48,120)
Cash flows from financing activities:			
Payments on mortgage notes payable and capital leases		(740)	(746)
Contributions to endowment		241	1,071
Net cash (used in) provided by financing activities		(499)	325
Net increase (decrease) in cash and cash equivalents		58,236	(12,732)
Cash and cash equivalents, beginning of year		23,374	36,106
Cash and cash equivalents, end of year	$	81,610	23,374
Supplemental cash flow information:			
Interest paid	$	55	286
Taxes paid		289	66
Contributed services and materials		70,556	81,819
Equipment purchased by capital lease		287	405

See accompanying notes to financial statements.

Notes to Financial Statements

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

The American Heart Association, Inc. (the Association or AHA) has as its mission the reduction of disability and death from cardiovascular diseases and stroke.

The Association provides funding for cardiovascular and stroke research, public health education, and community services programs that inform Americans about what they can do to prevent heart disease and stroke, and for professional education programs that help healthcare professionals prevent, detect, and treat cardiovascular diseases and stroke. The Association's principal source of revenue is money contributed by the general public.

(b) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

The financial statement presentation follows the provisions of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of directors.

Temporarily restricted net assets – net assets that are subject to donor-imposed stipulations that may or will be met by the occurrence of a specific event or the passage of time.

Permanently restricted net assets – net assets required to be maintained in perpetuity, due to donor-imposed restrictions. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specified purposes.

(c) Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less. The Association has classified any cash or money market accounts held by external investment managers as investments as these funds are not intended for current operations.

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments and Related Income

Investments primarily include assets invested for long-term capital appreciation, but also include short-term investments available for operations, totaling $134 million and $209 million as of June 30, 2016 and 2015, respectively. All investments are carried at fair value with the related gains and losses included in the statement of activities. The fair value of equity securities, debt securities, and mutual funds with readily determinable fair values approximates quoted market prices. The fair value of real estate and other properties held as investments is estimated using private valuations of the properties held. For investments with limited marketability, including investments in certain partnerships, the Association has adopted the concept of "practical expedient," under which investments are stated at estimated fair value using net asset values as provided by the general partners and fund managers and as reviewed by management. These net asset values are based on underlying securities and holdings, which may be valued at quoted market prices, comparable investments, appraised values, or discounted cash flows. As a practical expedient to determine fair value, investments in fund of funds are reported using net asset values of the underlying funds as provided by the individual fund managers. The fund of funds manager reserves the right to adjust the reported net asset value if it is deemed not to be reflective of fair value. Because of the inherent uncertainty of valuations of investments in the underlying funds, their estimated values may differ significantly from the values that would have been used had a ready market for the underlying funds existed, and the difference could be material. Management relies upon the audited financial statements of the fund of funds performed by a third-party auditor. Interest and dividend income is presented net of investment advisory/management fees and is reflected as net interest and dividends in the statement of activities. All investment income is reported as unrestricted unless otherwise restricted by the donor or required by accounting convention. All appreciation/depreciation earned on investments is reported as a change in unrestricted net assets unless otherwise restricted by the donor, applicable law, or accounting convention.

(e) Contributions and Bequests

All contributions are considered available for the general programs of the Association, unless specifically restricted by the donor. The Association reports monetary gifts as temporarily restricted support if they are received with donor stipulations that limit their use or are subject to time restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration of the restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Association is the beneficiary under various wills and trust agreements. Such amounts are recorded when a will is declared valid by a probate court and the proceeds are measurable.

The Association records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the date of gift using risk-adjusted interest rates applicable to the years in which the promises are expected to be received, with rates ranging from 0.28% to 3.22%. Accretion of the discounts is recognized as contribution revenue using the effective interest method.

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Association recognizes conditional promises to give when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

(f) Research Awards and Grants

The Association awards funds each year to support cardiovascular and related research projects. The projects generally extend over a period of one to five years. The liability and related expenses are recorded when the recipients are notified of their awards, and the liability is reported as research awards payable in the balance sheet.

Awards that are expected to be paid in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the date of award using interest rates applicable to the years in which awards are granted, ranging from 0.6% to 1.5%. Accretion of the discounts is recognized as research – awards and grants expense, using the effective interest method, in the statement of functional expenses.

(g) Exchange Transactions and Deferred Revenue

The Association records revenues from exchange transactions as increases in unrestricted net assets to the extent that the earnings process is complete. These transactions primarily include sales of educational materials, conferences, subscriptions, royalty revenues, licensing fees, and advertising fees from journal publications. Receivables from exchange transactions are expected to be collected within one year and are recorded at net realizable value.

Resources received in exchange transactions are recognized as deferred revenue to the extent that the earnings process has not been completed. These resources are recorded as unrestricted revenues when the related obligations have been satisfied.

(h) Land, Buildings, and Equipment

Donated property and equipment are recorded at fair value at date of receipt, and expenditures for land, buildings, and equipment are capitalized and stated at cost. Depreciation of buildings and equipment is provided on a half-year convention basis over estimated useful lives of the assets, ranging from 2 to 40 years (land leasehold – length of the leasehold interest; building and improvements – 5 to 40 years; and furniture and equipment – 2 to 7 years).

(i) Contributed Services and Materials

The Association recognizes contributions of materials at their estimated fair value at date of donation. The Association reports gifts of land, buildings, equipment, and other nonmonetary contributions as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how and how long 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.

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed materials reported in the statement of activities were allocated as follows in 2016 and 2015 (in thousands):

		2016	2015
Public health education	$	58,606	70,077
Professional education		1,867	2,070
Community services		—	2
Management and general		9	14
Fundraising		59	91
Total contributed materials	$	60,541	72,254

The Association recognizes contributions of services received if such services (a) create or enhance nonfinancial assets, or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Contributed services reported in the statement of activities were allocated as follows in 2016 and 2015 (in thousands):

		2016	2015
Research	$	6,099	6,682
Public health education		2,797	2,147
Professional education		770	509
Community services		37	—
Management and general		213	137
Fundraising		99	90
Total contributed services	$	10,015	9,565

Public service announcements of approximately $58,584,000 and $70,052,000 were included in contributed materials revenue on the statement of activities and printing and publication on the statement of functional expenses for the years ended June 30, 2016 and 2015, respectively.

In addition, the Association receives services from a large number of volunteers who give significant amounts of their time to the Association’s programs, fundraising campaigns, and management. No amounts have been reflected for these types of donated services, as they do not meet the criteria for recognition.

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Net Assets

Public support and other revenues received during the fiscal year are used to fund research awards, programs, and operations. A portion of unrestricted net assets is available for unfunded commitments, program supplementation, and operating contingencies directed by specific action of the board of directors and is reserved for the continuity of the Association's general activities and to meet emergency demands.

(k) Functional Allocation of Expenses

The costs of providing the various programs and supporting services are summarized on a functional basis in the statement of functional expenses. Certain costs are allocated among the program and supporting services benefited.

(l) Income Taxes

The Association is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in IRC Section 501(c)(3). Further, the Association has been classified as an organization that is not a private foundation under IRC Section 509(a) and, as such, contributions to the Association qualify for deduction as charitable contributions. However, income generated from activities unrelated to the Association's exempt purpose is subject to tax under IRC Section 511. The Association did not have a material unrelated business income tax liability for the years ended June 30, 2016 and 2015. The Association believes that it has taken no significant uncertain tax positions.

(m) Fair Value of Financial Instruments

The Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Association determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels (see note 3):

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 – inputs other than quoted prices included in Level 1 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.

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 3 – 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 Association's assumptions based on the best information available in the circumstances. Inputs and valuation techniques used to measure fair value of Level 3 assets include reported fair value at the time of a gift, independent appraisals, published multiples of similar securities, or face value. At June 30, 2016, less than 1% of investment values are based upon Level 3 inputs. Split-interest agreements and perpetual trusts are revalued annually based on investment statements provided by third party trustees.

Inputs generally refer to the assumptions that market participants use to make valuation decisions. The inputs or methods used for valuing investments are not necessarily an indication of the risk associated with those investments. The valuation methodologies used may involve a significant degree of judgment. Because the Association is under no compulsion to dispose of its investments, the estimated values may not reflect amounts that could be realized upon immediate sale nor amounts that may ultimately be realized.

For the fund of funds investment, which is valued at Net Asset Value (NAV), there were no redemption restrictions or "side pockets" (that is, a portion of an underlying fund's portfolio segregated for purposes of allocating gains and losses) in place at June 30, 2016.

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement* (Topic 820) to address the diversity in practice related to how certain investments measured at net asset value with redemption dates in the future (including periodic redemption dates) are categorized within the fair value hierarchy. This update 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. Early application is permitted for the Association. The Association elected to adopt ASU 2015-07 as of and for the year ended June 30, 2016 and retrospectively for all comparative periods presented. As a result, investments for which fair value is measured using net asset value have not been categorized within the fair value hierarchy.

(n) Split-Interest Agreements

The Association has received as contributions various types of split-interest agreements, including charitable gift annuities, pooled income funds, charitable remainder trusts, and perpetual trusts.

Under the charitable gift annuity arrangement, the Association has recorded the assets at fair value and the liabilities to the donor or his/her beneficiaries at the present value of the estimated future payments to be distributed by the Association to such individuals. The amount of the contribution is the difference between the asset and the liability and is recorded as unrestricted revenue, unless otherwise restricted by the donor.

Under the pooled income fund and charitable remainder trust arrangements, the Association has recorded the contribution as temporarily restricted contribution revenue at the present value of the estimated future benefits to be received. Subsequent changes in fair value for charitable remainder trusts are recorded as changes in value of split-interest agreements in the temporarily restricted net asset class and are reported as changes in value of split-interest agreements in the statement of activities. The discount rates used for split-interest agreements at June 30, 2016 and 2015 were 3.2% and 3.6%, respectively.

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under the perpetual trust arrangement, the Association has recorded the asset and has recognized permanently restricted contribution revenue at the fair value of the Association's beneficial interest in the trust assets. Investments in oil and gas interests, which have a limited marketability, are stated at fair value, as estimated based on a multiple of annual revenues. Distributions received on the trust assets are recorded as unrestricted revenue 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.

(o) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of 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. Significant items subject to such estimates and assumptions include the discounts for long-term receivables, research awards payables, and split-interest agreements, the useful lives of fixed assets, the collectability of receivables, the valuation of split-interest agreements, investments and perpetual trusts, the postretirement benefits liability, the allocation of joint costs, and the functionalization of expenses.

(p) Summarized Comparative Totals

The financial statements include certain prior year summarized comparative information that does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

(q) Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current year presentation. Specifically, certain revenue amounts from grants from government agencies have been reclassed to miscellaneous revenue on the statement of activities.

(2) INVESTMENTS

Investments at June 30, 2016 and 2015 and related returns for the years then ended consisted of the following (in thousands):

	June 30, 2016		
	Interest and dividends (expenses)	Realized and unrealized gains (losses)	Fair value
Equity securities	$ 7,208	(7,143)	302,113
Governmental securities	967	(6)	67,526
Corporate bonds	2,004	(438)	71,924
Mortgage-backed securities	216	(10)	9,623
Other asset-backed securities	726	(183)	48,090
Fixed income mutual/commingled funds	781	1,867	64,151
Fund of funds	—	(1,861)	61,419
Real estate and other	571	936	17,545
Short-term investments	113	154	44,806
Unsettled trades and other receivables, net	(470)	112	5,568
Investment expenses	(1,726)	—	—
Total	$ 10,390	(6,572)	692,765

	June 30, 2015		
	Interest and dividends (expenses)	Realized and unrealized gains (losses)	Fair value
Equity securities	$ 6,849	1,005	302,788
Governmental securities	369	45	85,076
Corporate bonds	4,575	(2,020)	82,728
Mortgage-backed securities	57	(54)	11,622
Other asset-backed securities	368	(127)	70,473
Fixed income mutual/commingled funds	785	(1,284)	61,865
Derivatives	(6)	(145)	—
Fund of funds	—	(218)	63,718
Real estate and other	203	166	6,763
Short-term investments	164	38	77,965
Unsettled trades and other receivables, net	75	(1,133)	5,028
Investment expenses	(1,816)	—	—
Total	$ 11,623	(3,727)	768,026

(a) Derivative Financial Instruments

The Association's assets include publicly traded equity and fixed income investments whose purpose is to attempt to allow for appreciation and growth of the assets to offset erosion in asset values as a result of inflation. These investments are exposed to various risks, including:

1. *Volatility risk*, the risk that stock prices will decrease, reducing the fair value of AHA's equity investments
2. *Interest rate risk*, the risk that interest rates will increase, reducing the fair value of AHA's fixed income investments
3. *Credit (default) risk*, the risk that a company may default on its bonds, reducing the value of AHA's fixed income investments
4. *Exchange rate risk*, the risk that foreign exchange rates will change relative to the U.S. Dollar, reducing the value of AHA's foreign equity investments

Management believes it is prudent to mitigate the effect of these risks to the extent practicable, and to maintain exposure to various segments of the securities markets in order to meet the short-term and long-term needs of the Association. In connection with the Association's investments, AHA investment policies allow for limited use of derivatives, provided the derivatives are used to control, manage, or hedge investment risk at the portfolio level. The policy indicates that any derivatives must be used with adequate diversification and as part of a total portfolio strategy that is nonspeculative. Derivative use must be consistent with the Association's derivative requirements and the investment manager's stated investment approach. By nature, a liquid market for these instruments exists and can reasonably be expected to continue to exist even under adverse conditions.

Derivatives typically used by AHA's investment managers include futures, forward contracts, options, and swaps. The managers employ various control measures to attempt to prevent losses caused by derivatives. For example, net long futures, forwards, or swaps positions are backed with high-grade, liquid debt securities. The fair values of the derivatives are included in the fair value of the overall portfolio.

(3) FAIR VALUE MEASUREMENTS

The following tables present information about the Association's assets that are measured at fair value on a recurring basis as of June 30, 2016 and 2015, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value:

Assets		Balance June 30, 2016	Fair value measurements at reporting date using Level 1	Level 2	Level 3
1. Equity securities:					
a. Domestic stocks	$	230,559	230,559	—	—
b. International stocks		70,655	70,655	—	—
c. Nonpublic corporations		899	—	—	899
2. Debt securities:					
a. Governmental securities		67,526	—	67,526	—
b. Corporate bonds		71,924	—	71,924	—
c. Mortgage-backed securities		9,623	—	9,623	—
d. Other asset-backed securities		48,090	—	48,090	—
3. Fixed income mutual/commingled funds		22,375	—	22,375	—
4. Real estate and other		2,287			2,287
5. Short-term investments		44,806	4,429	40,377	—
6. Unsettled trades and other receivables, net		5,568	5,568	—	—
7. Investments Reported at net asset value (NAV) (1)					
a. Fixed income mutual/commingled funds		41,776			
b. Fund of Funds		61,419			
c. Real estate fund		15,258			
Total Investments		692,765			
8. Split-interest agreements receivable, net of discount		67,012	—	—	67,012
9. Beneficial interest in perpetual trusts		136,985	—	—	136,985
Split-interest agreements Perpetual trusts (leveled)		203,997			
Liabilities					
1. Gift annuity obligations	$	12,878	—	—	12,878

(1) Investments measured at NAV are presented in the table to allow for reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Assets	Balance June 30, 2015	Fair value measurements at reporting date using Level 1	Level 2	Level 3
1. Equity securities:				
a. Domestic stocks	$ 234,288	234,288	—	—
b. International stocks	67,601	67,601	—	—
c. Nonpublic corporations	899	—	—	899
2. Debt securities:				
a. Governmental securities	85,076	—	85,076	—
b. Corporate bonds	82,728	—	82,728	—
c. Mortgage-backed securities	11,622	—	11,622	—
d. Other asset-backed securities	70,473	—	70,473	—
3. Fixed Income Mutual/Commingled Funds	21,749	—	21,749	—
4. Real estate and other	2,359	—	—	2,359
5. Short-term investments	77,967	20,655	57,312	—
6. Unsettled trades and other receivables, net	5,026	5,026	—	—
7. Investments reported at net asset value (NAV) (1)				
a. Fixed Income Mutual/Commingled Funds	40,116			
b. Fund of Funds	63,718			
c. Real estate fund	4,404			
Investment subtotals	768,026			
8. Split-interest agreements receivable, net	73,288	—	—	73,288
9. Beneficial interest in perpetual trusts	145,839	—	—	145,839
Split-interest agreements Perpetual trusts (leveled)	219,127			
Liabilities				
1. Gift annuity obligations	$ 14,815	—	—	14,815

(1) Investments measured at NAV are presented in the table to allow for reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

There were no transfers between Level 1 and Level 2 during fiscal years ended June 30, 2016 or 2015.

The following summarizes the nature of investments that are reported at estimated fair value using net asset value as of June 30, 2016 (in thousands):

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Fund of funds	$ 61,419	—	Various	30–90 days
Real estate fund	15,258	—	Quarterly	45 days
Fixed Income Mutual/Commingled Fund	41,776	—	Weekly	3 days

The following summarizes the nature of investments that are reported at estimated fair value using net asset value as of June 30, 2015 (in thousands):

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Fund of funds	$ 63,718	—	Various	30–90 days
Real estate fund	4,404	9,901	Quarterly	45 days
Fixed Income Mutual/Commingled Fund	40,116	—	Weekly	3 days

The commingled fixed income fund invests in obligations of varying maturities, including corporate bonds, asset-backed securities, and government and agency securities. The fund may also invest in noninvestment grade securities in addition to securities denominated in foreign currencies and foreign securities denominated in US dollars. Redemptions are allowed weekly.

The fund of funds is a multi-strategy hedge fund investment whose strategies include, but are not limited to, hedged equity, global macro, commodity trading advisor, event driven, credit, and equity market neutral. Redemptions are allowed monthly, quarterly, and annually.

The real estate fund is an open-end fund that has residential, retail, office, and industrial properties. Unfunded commitments represent invested assets to be allocated to the real estate fund at the time such commitments are called by the fund manager. Redemptions are allowed quarterly with notice required 45 days prior to calendar quarter-end provided that the interest has been held for at least 180 days.

The change in the fair value of the Association's assets and liabilities valued using significant unobservable inputs (Level 3) is shown below (in thousands):

	Investments	Split-interest agreements	Perpetual trusts	Gift annuity obligations
Balance June 30, 2014	$ 3,511	73,867	151,231	(14,827)
Total net (losses) gains	(79)	922	(5,500)	1,066
Acquisitions	—	1,822	156	(966)
Settlements	(74)	(3,323)	(48)	(88)
Sales	(100)	—	—	—
Balance June 30, 2015	3,258	73,288	145,839	(14,815)
Total net (losses) gains	(53)	(4,129)	(9,884)	2,394
Acquisitions	—	164	1,030	(1,930)
Settlements	(19)	(2,311)	—	1,473
Balance June 30, 2016	$ 3,186	67,012	136,985	(12,878)

The change in value of split-interest agreements valued using significant unobservable inputs is included in change in value of split-interest agreements in the accompanying statement of activities. The change in value of perpetual trusts using significant unobservable inputs is included in the net unrealized gains (losses) on beneficial interest in perpetual trusts in the accompanying statement of activities. The change in unrealized gains/(losses) relating to assets still held at the reporting date is approximately ($13,989,000).

The Association independently assesses the valuation for assets classified as Level 3. Unobservable inputs are internally developed for certain asset categories, which include oil and gas interests and split-interest agreements. Oil and gas interests are valued annually using revenue multiples of comparable companies and an appropriate marketability discount. Split-interest agreements are valued on a discounted cash flow basis utilizing asset values reported by third party trustees and appropriate growth and discount factors. Gift annuity obligations are valued on a discounted cash flow basis using an applicable interest rate and life expectancy tables.

Quantitative information regarding unobservable inputs developed by the Association and assumptions used to measure the fair value of the related assets and liabilities of oil and gas interests, split-interest agreements, and gift annuity obligations as of June 30, 2016 follows:

Type		Fair value (In thousands)	Valuation technique	Significant unobservable inputs	Range (weighted average)
Oil and gas interests	$	125	Market Comparable Companies	Business Enterprise Value to Revenue Multiple	9.6x-14.9x (12.0x)
				Marketability Discount	20%-30% (25%)
Split-interest agreements	$	67,012	Discounted cash flow	Growth Rate/ Discount Rate	2.81%-3.56%* 3.22%
Gift annuity obligations	$	12,878	Discounted cash flow	Discount Rate	1%-9.6% 3.6%

* These percentages represent the low and high growth rate ranges plus a risk premium from July 1, 2015 – June 30, 2016.

The fair values of the equity in a nonpublic corporation and real estate are based upon periodic third party valuations.

Significant increases (decreases) in the revenue multiples, in isolation, applied would increase (decrease) the estimated fair value of oil and gas interests. A significant increase (decrease) in the marketability discount, in isolation, would (decrease) increase the estimated fair value.

Increases in the discount rate applied to the future anticipated cash flows from split-interest agreements would result in a lower estimated fair value. Conversely, decreases in the discount rate applied would result in a higher estimated fair value. However, the projected growth rate assumptions utilized by management are the same as the discount rate assumptions and, accordingly, the impact on the estimated fair value would be insignificant.

Increases in the discount rate applied to the future anticipated payments associated with gift annuity obligations would result in a lower estimated fair value of the liability. Conversely, decreases in the discount rate applied would result in a higher estimated fair value of the liability.

(4) ENDOWMENTS

The Association's endowment program consists of donor-restricted endowment funds, and does not include any funds designated by the Board of Directors to function as endowments. The endowment program is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA).

Absent explicit donor stipulations to the contrary, the Association classifies the original value of gifts donated to the permanent endowment as well as accumulations to the permanent endowment made at the direction of the donor as permanently restricted net assets. 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 Association in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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

1. The duration and preservation of the endowment fund
2. The purposes of the Association and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the Association
7. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Association
8. The investment policy of the Association

Changes in endowment net assets exclusive of beneficial interests in perpetual and other trusts for the years ended June 30, 2016 and 2015 are as follows (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2014	$	—	16,112	43,136	59,248
Investment return:					
Investment income		—	775	413	1,188
Net depreciation		—	(463)	—	(463)
Contributions		—	9	992	1,001
Appropriation for expenditure		—	(2,185)	—	(2,185)
Endowment net assets, June 30, 2015		—	14,248	44,541	58,789
Investment return:					
Investment income		—	1,019	—	1,019
Net depreciation		—	(603)	—	(603)
Contributions			—	320	320
Appropriation for expenditure		—	(1,919)	—	(1,919)
Endowment net assets, June 30, 2016	$	—	12,745	44,861	57,606

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund. If applicable, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies as of June 30, 2016 or June 30, 2015. The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board of Directors, the endowment assets are invested in a manner that seeks to produce results that exceed the price and yield results of a mix of relevant benchmarks, while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Association has a policy of appropriating for distribution each year an amount not to exceed 4% of each endowment's average fair market value over the prior five years through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Association considered the long-term expected return on its endowments, mentioned above.

(5) UNCONDITIONAL PROMISES

As of June 30, 2016 and 2015, the Association has received unconditional promises to give, consisting primarily of pledges, split-interest agreements, and bequests, which are scheduled to be received as follows (in thousands):

		2016	2015
Less than one year	$	133,839	105,880
One to five years		91,624	61,724
More than five years		102,366	112,185
Subtotal		327,829	279,789
Allowance for uncollectible accounts		(3,575)	(3,493)
Discount		(36,837)	(39,814)
Total	$	287,417	236,482

The Association maintains an allowance for doubtful accounts for estimated credit losses resulting from collection risks, including the inability of donors to make required payments under contractual agreements. The allowance for doubtful accounts is reported as a reduction of receivables in the balance sheet. The adequacy of this allowance is determined by evaluating historical delinquency and write-off trends, specific known collection risks, historical payment trends, as well as current economic conditions.

(6) LAND, BUILDINGS, AND EQUIPMENT

At June 30, 2016 and 2015, land, buildings, and equipment, and the related accumulated depreciation and amortization were as follows (in thousands):

		2016	2015
Land and leasehold improvements	$	16,112	15,985
Buildings and improvements		76,221	75,368
Equipment and furniture		118,415	114,257
Total		210,748	205,610
Less accumulated depreciation and amortization		(141,322)	(135,566)
Land, buildings, and equipment, net	$	69,426	70,044

(7) LEASES

(a) Operating Leases

The Association has operating lease agreements for office space and equipment. Future annual minimum lease payments due under noncancelable leases as of June 30, 2016 are as follows (in thousands):

2017	$	11,586
2018		10,728
2019		7,533
2020		4,516
2021		4,036
Thereafter		2,364
Total	$	40,763

Total operating lease expense for the years ended June 30, 2016 and 2015 was approximately $10,825,000 and $10,424,000, respectively.

(b) Capital Leases

The Association leases office equipment under capital lease agreements expiring on various dates through 2019. As of June 30, 2016, the future minimum lease payments under capital leases were as follows (in thousands):

2017	$	484
2018		299
2019		115
2020		47
2021		13
Total		958
Less:		
Amount representing interest, support and maintenance		(41)
Present value of lease obligation, included in other liabilities	$	917

(8) RETIREMENT PLANS

The Association has a 401(a) defined-contribution plan (the Plan). Eligible participants include employees who are at least 21 years of age and have at least two years of service with an accumulation of at least 1,000 hours per year. A year of service is defined as a period of 12 consecutive months beginning on an employee's date of hire. Employees are 100% vested upon satisfaction of the eligibility period. Participants are not permitted to contribute to the Plan.

The Association contributes to the Plan an amount equal to the following percentages of base salary, as defined by the Plan, depending upon the participant's years of service:

Participant's years of service	Contribution percentage
2 to 5	6%
Greater than 5 but less than 10	8
10 or more	10

In addition, the Association contributes to the Plan an employer matching contribution, equal to 100% of each participant's elective contribution up to 4% of base salary to a 403(b) plan also sponsored by the Association. These elective contributions may be made by an employee beginning the first of the month following two years of service.

Total retirement plan costs for the years ended June 30, 2016 and 2015 were approximately $20,990,000 and $19,063,000, respectively.

(9) CONFLICT OF INTEREST POLICY AND STANDARDS

Included among the Association's officers, board, and committee members are volunteers from the business, medical, and scientific community who provide valuable assistance to the Association in the development of policies and programs and in the evaluation of research awards and grants and business relationships. The Association has adopted a conflict of interest policy and standards whereby volunteers are required to abstain from participating in or otherwise attempting to influence decisions in which they have a personal, professional, or business interest.

(10) ALLOCATION OF JOINT COSTS

The Association conducts joint activities (activities benefiting multiple programs and/or supporting services) that include fundraising appeals. Those activities primarily include direct mail campaigns and special events. The costs of conducting those joint activities were allocated as follows in 2016 and 2015 (in thousands):

		2016	2015
Public health education	$	136,417	128,094
Professional education and training		2,091	2,906
Community services		950	1,102
Management and general		26,267	25,041
Fundraising		51,651	47,493
Total joint costs	$	217,376	204,636

(11) RESEARCH AWARDS PAYABLE

The activity in research awards payable during the years ended June 30, 2016 and 2015 and the amounts payable by year are summarized below (in thousands):

		2016	2015
Beginning balance, July 1	$	288,044	275,464
Awards expense:			
New awards		170,885	152,465
Cancellations, declinations, and refunds		(18,575)	(18,134)
Research awards expense before discount		152,310	134,331
Change in discount		601	(983)
Total research awards expense		152,911	133,348
Payments		(125,382)	(120,768)
Ending balance, June 30	$	315,573	288,044

Payable in year ending June 30:		
2017	$	145,281
2018		97,401
2019		51,107
2020		21,295
2021		3,621
Thereafter		327
Total		319,032
Less unamortized discount		(3,459)
Net research awards payable	$	315,573

(12) POSTRETIREMENT BENEFITS

The Association provides postretirement benefits to eligible past and present employees. Eligibility includes those who have retired or will retire at age 55 or thereafter, and who have been employed by the Association for at least 10 years of service prior to retirement. The Association provides eligible employees who retire prior to age 65 with medical, dental, and life insurance. Dental and life insurance terminate at age 65.

During fiscal year 2009, eligibility requirements for the postretirement benefit plan were amended. As of the March 1, 2009 effective date, present employees (a) who had at least 10 years of continuous service with the Association, or (b) whose age and years of continuous service with the Association summed to at least 50, maintained their eligibility. As of the March 1, 2009 effective date, present employees who did not meet either of these eligibility requirements may still participate in the plan upon retirement prior to age 65, but will be responsible for 100% of the cost. New employees joining the Association after March 1, 2009 are not eligible for postretirement benefits.

As of June 30, 2016 and 2015, the accumulated postretirement benefit obligation (APBO) is calculated using a discount rate of 3.35% and 4.20%, respectively. The following table presents information with respect to the postretirement benefit plans as of and for the years ended June 30, 2016 and 2015 (in thousands):

		2016	2015
Changes in accumulated postretirement benefit obligation:			
APBO, beginning of year	$	12,873	12,612
Service cost		377	398
Interest cost		524	494
Actuarial loss		240	187
Participant contributions		261	236
Benefits paid		(1,061)	(1,054)
APBO, end of year		13,214	12,873
Changes in plan assets:			
Fair value of plan assets, beginning of year		—	—
Employer contributions		800	818
Participant contributions		261	236
Benefits paid		(1,061)	(1,054)
Fair value of plan assets, end of year		—	—
Funded status:			
Unfunded benefit obligation, June 30 – included in other liabilities	$	13,214	12,873

		2016	2015
Changes in prior service credit:			
Prior service credit, beginning of year	$	(1)	(17)
Amortization of prior service credit		—	16
Prior service credit, end of year	$	(1)	(1)
Changes in net actuarial (gain) loss:			
Net actuarial gain, beginning of year	$	(679)	(866)
Amortization of net actuarial gain			—
Actuarial loss		240	187
Unrecognized net actuarial gain, end of year	$	(439)	(679)

		2016	2015
Components of net periodic benefit cost:			
Service cost	$	377	398
Interest cost		524	494
Amortization of prior service credit		—	(16)
Net periodic benefit cost	$	901	876
Amounts expected to be recognized as components of net periodic benefit cost during the next fiscal year:			
Amortization of prior service credit	$	—	(16)
Total	$	—	(16)

The assumed healthcare cost trend rates as of June 30, 2016 and 2015 are as follows:

	2016	2015
Healthcare cost trend rate assumed for next year	7.0%	7.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0	5.0
Year that the rate reaches the ultimate trend rate	2031	2031

The healthcare cost trend rate assumption has a significant impact on the postretirement benefit costs and obligations. The effect of a 1% change in the assumed healthcare cost trend rate at June 30, 2016 would have resulted in an increase of approximately $1,043,000 or a decrease of approximately $947,000 in the accumulated postretirement benefit obligation and an increase of approximately $78,000 or a decrease of approximately $70,500 in the fiscal year 2016 benefit expense.

(13) RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets as of June 30, 2016 and 2015 have been restricted by donors as follows (in thousands):

		Temporarily restricted		Permanently restricted	
		2016	2015	2016	2015
Research	$	78,878	35,552	—	—
Other programs		82,045	86,041	—	—
Split-interest agreements		49,246	54,361	354	470
Beneficial interest in perpetual trusts		—	—	136,985	145,839
Time restrictions		102,659	101,309	—	—
Endowment funds		12,745	14,248	44,861	44,541
Total restricted net assets	$	325,573	291,511	182,200	190,850

(14) NEW ACCOUNTING PRONOUNCEMENTS

(a) ASU 2014-09, *Revenue from Contracts with Customers*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers* (Topic 606), which deferred the effective date of the new revenue recognition standard for one year. The new standard is effective for the Association July 1, 2018. Early application is permitted for the Association. The Association is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

(b) ASU 2016-14, *Not-for-Profit Entities*

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*, to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments in this Update is permitted. The amendments in this Update should be initially adopted only for an annual fiscal period or for the first interim period within the fiscal year of adoption. The amendments in this Update should be applied on a retrospective basis in the year that the Update is first applied. The Association is evaluating the effect that ASU 2016-14 will have on its consolidated financial statements and related disclosures.

(15) COMMITMENTS AND CONTINGENCIES

During the normal course of business, the Association is involved in various claims and lawsuits. In the opinion of management, the potential loss on any claims and lawsuits, net of insurance proceeds, will not be significant to the Association's financial position or changes in net assets.

(16) SUBSEQUENT EVENTS

The Association evaluated subsequent events after the balance sheet date of June 30, 2016 through October 31, 2016, which was the date the financial statements were issued, and concluded that no additional disclosures are required.