

**Audited Financial Statements
and Supplementary Information**

**ASTHMA AND ALLERGY FOUNDATION
OF AMERICA**

December 31, 2015

Asthma and Allergy Foundation of America

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Independent Auditor's Report on the Financial Statements

To the Board of Directors
Asthma and Allergy Foundation of America

We have audited the accompanying financial statements of Asthma and Allergy Foundation of America (the Foundation), which comprise the statements of financial position as of December 31, 2015, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. The financial statements as of and for the year ended December 31, 2014, were audited by other auditors whose report thereon, dated May 19, 2015, expressed an unmodified opinion on those 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

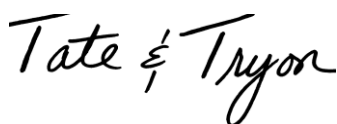
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Foundation'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 Foundation'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 2015 financial statements referred to above present fairly, in all material respects, the financial position of Asthma and Allergy Foundation of America as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Asthma and Allergy Foundation of America

Statements of Financial Position

December 31,	2015	2014
Assets		
Cash and cash equivalents	\$ 2,475,584	\$ 1,726,659
Investments	2,289,103	2,283,905
Grants and accounts receivable, net	534,559	569,397
Pledges receivable, net	86,436	49,716
Inventory	43,070	49,644
Prepaid expenses	40,713	17,699
Property and equipment, net	128,765	164,702
Deposit	23,068	11,368
Total assets	\$ 5,621,298	\$ 4,873,090
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 387,429	\$ 265,251
Deferred revenue	523,626	228,442
Deferred rent and lease incentives	192,827	235,534
Total liabilities	1,103,882	729,227
Net assets		
Unrestricted	3,065,083	2,897,535
Temporarily restricted	1,292,333	1,086,328
Permanently restricted	160,000	160,000
Total net assets	4,517,416	4,143,863
Total liabilities and net assets	\$ 5,621,298	\$ 4,873,090

See notes to the financial statements.

Asthma and Allergy Foundation of America

Statements of Activities

<i>Year Ended December 31,</i>	2015	2014
Unrestricted activities		
Revenue and support		
Contributions, sponsorships and grants	\$ 1,824,175	\$ 1,247,214
Certification income	915,846	691,912
Workplace giving	181,670	169,096
Donated goods and services	154,157	128,786
Advertising	54,051	57,733
Investment income	21,894	85,479
Other income	7,278	8,270
Net assets released from restrictions	668,055	1,070,370
Total revenue and support	3,827,126	3,458,860
Expense		
Program services		
Public information	1,120,464	743,560
Community and chapter outreach	701,805	348,438
Family & patient services and professional education	621,965	783,831
Research	230,489	332,788
Total program services	2,674,723	2,208,617
Supporting services		
Management and general	818,400	852,875
Fundraising	166,455	193,062
Total supporting services	984,855	1,045,937
Total expense	3,659,578	3,254,554
Change in unrestricted net assets	167,548	204,306
Temporarily restricted activities		
Contributions, sponsorships and grants	873,000	496,000
Investment income	1,060	7,037
Net assets released from restrictions	(668,055)	(1,070,370)
Change in temporarily net assets	206,005	(567,333)
Change in net assets	373,553	(363,027)
Net assets, beginning of year	4,143,863	4,506,890
Net assets, end of year	\$ 4,517,416	\$ 4,143,863

See notes to the financial statements.

Asthma and Allergy Foundation of America

Statement of Functional Expenses For the Year Ended December 31, 2015

	Program Services				Supporting Services				Total
	Public Information	Community and Chapter Outreach	Family & Patient Services and Professional Education	Research	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 415,199	\$ 391,754	\$ 313,928	\$ 110,950	\$ 1,231,831	\$ 350,982	\$ 76,690	\$ 427,672	\$ 1,659,503
Purchased services	356,487	95,920	141,239	59,743	653,389	185,061	32,879	217,940	871,329
Employee benefits	110,549	104,306	83,585	30,242	328,682	143,516	20,419	163,935	492,617
Facilities	54,432	58,356	40,892	14,555	168,235	47,580	9,989	57,569	225,804
Printing and supplies	77,171	10,167	7,464	567	95,369	4,992	13,798	18,790	114,159
Other	18,086	10,874	8,423	564	37,947	69,105	5,749	74,854	112,801
Meetings and travel	29,286	25,964	24,079	5,427	84,756	15,143	4,885	20,028	104,784
Mail and delivery	59,254	4,464	2,355	604	66,677	2,021	2,046	4,067	70,744
Grants and assistance	-	-	-	7,837	7,837	-	-	-	7,837
	\$ 1,120,464	\$ 701,805	\$ 621,965	\$ 230,489	\$ 2,674,723	\$ 818,400	\$ 166,455	\$ 984,855	\$ 3,659,578

See notes to the financial statements.

Asthma and Allergy Foundation of America

Statement of Functional Expenses For the Year Ended December 31, 2014

	Program Services					Supporting Services			Total
	Public Information	Community and Chapter Outreach	Family & Patient Services and Professional Education	Research	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 334,230	\$ 165,914	\$ 339,324	\$ 47,152	\$ 886,620	\$ 443,587	\$ 93,311	\$ 536,898	\$ 1,423,518
Purchased services	84,608	80,346	158,758	120,139	443,851	152,865	24,986	177,851	621,702
Employee benefits	122,782	60,950	124,705	17,322	325,759	117,404	34,279	151,683	477,442
Facilities	53,287	25,842	74,779	7,335	161,243	51,774	14,517	66,291	227,534
Printing and supplies	64,960	633	17,332	1,168	84,093	3,859	17,396	21,255	105,348
Other	19,467	11,729	28,828	56	60,080	65,496	1,763	67,259	127,339
Meetings and travel	13,893	2,010	31,250	38,862	86,015	16,213	3,331	19,544	105,559
Mail and delivery	50,333	1,014	7,355	754	59,456	1,677	3,479	5,156	64,612
Grants and assistance	-	-	1,500	100,000	101,500	-	-	-	101,500
	\$ 743,560	\$ 348,438	\$ 783,831	\$ 332,788	\$ 2,208,617	\$ 852,875	\$ 193,062	\$ 1,045,937	\$ 3,254,554

See notes to the financial statements.

Asthma and Allergy Foundation of America

Statements of Cash Flows

<i>Year Ended December 31,</i>	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 373,553	\$ (363,027)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	38,937	40,643
Loss on disposal of property and equipment	908	77
Bad debt expense	12,000	25,341
Realized and unrealized losses on investments, net	65,830	10,070
Changes in assets and liabilities:		
Grants and accounts receivable	22,838	(81,052)
Pledges receivable	(36,720)	105,411
Inventory	6,574	501
Prepaid expenses	(23,014)	4,291
Deposits	(11,700)	-
Accounts payable and accrued expenses	122,178	(70,351)
Deferred revenue	295,184	127,099
Deferred rent and lease incentives	(42,707)	(38,040)
Total adjustments	450,308	123,990
Net cash provided by (used in) operating activities	823,861	(239,037)
Cash flows from investing activities		
Proceeds from sales of investments	652,259	581,732
Purchases of investments	(723,287)	(670,711)
Purchases of furniture and equipment	(3,908)	(6,939)
Net cash used in investing activities	(74,936)	(95,918)
Net increase (decrease) in cash and cash equivalents	748,925	(334,955)
Cash and cash equivalents, beginning of year	1,726,659	2,061,614
Cash and cash equivalents, end of year	\$ 2,475,584	\$ 1,726,659
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	\$ 6,870	\$ 7,050

See notes to the financial statements.

Asthma and Allergy Foundation of America

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Asthma and Allergy Foundation of America (National Headquarters) (the Foundation) is a not-for-profit organization founded in 1953 as a national voluntary health organization providing programs of patient services, public awareness and education, research grants, community services and information, and referrals. The accompanying financial statements of the Foundation include the operations of the national headquarters only and do not include the activities of its affiliated chapters.

On November 30, 2012, with the unanimous consent of the Board of Directors, the Foundation entered into an agreement to merge with the Kids With Food Allergies Foundation (KFA), a not-for-profit corporation. This merger was approved by the New York state regulatory authorities and became effective July 22, 2013. Pursuant to the merger agreement, KFA's net assets of \$170,274 were contributed to the Foundation, the Foundation became the surviving corporation and KFA ceased to exist. After the merger, KFA activities were combined with the Foundation.

Income tax status: The Foundation is exempt from the payment of income taxes on its exempt activities other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. The Foundation received unrelated business income from advertising revenue that is subject to unrelated business income tax.

Basis of accounting: The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expense when the obligation is incurred.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents: For financial statement purposes, the Foundation considers cash and cash equivalents to be cash and certificates of deposit with an initial maturity of three months or less.

Inventory: Inventory, consisting primarily of publications, is recorded at the lower of cost or market value using the first-in, first-out method of accounting.

Asthma and Allergy Foundation of America

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and equipment: Property and equipment purchases over \$1,000 are capitalized at cost. Depreciation is calculated using the straight-line method over estimated useful lives of three to ten years. Leasehold improvements are recorded at cost and are amortized using the straight-line method over the life of the lease.

Revenue recognition: The Foundation reports contributions and grants of cash and other assets available for general operations as unrestricted revenue and support. The Foundation reports contributions and grants of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated funds or assets for a particular purpose or to specific periods. Conditional promises to give are not included as support until such time as the conditions are substantially met. Such revenue is recorded as contributions, sponsorships and grants in the accompanying statement of activities. When a stipulated time restriction ends or purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

Certification income is recognized as revenue over the applicable period of the contract. Accordingly, certification revenue paid in advance of the certification period is reported as deferred revenue in the accompanying statement of financial position.

Net assets: The Foundation's net assets are reported as follows:

- Unrestricted: Unrestricted net assets represent the portion of expendable funds that are available for support of the Foundation's operations.
- Temporarily restricted: Temporarily restricted net assets are restricted by donors for various projects or specific time periods.
- Permanently: Permanently restricted net assets represent the Foundation's endowment fund, which requires the principal to be invested in perpetuity and the income to be used for the purpose designated by the donor. Permanently restricted net assets consist of resources contributed to the National Research Endowment Program, which was established in 1983 for the purpose of supporting research by physician-scientists in the field of allergy and immunology.

Donated goods and services: Donated goods and services represent the value of donated pro bono legal assistance. Donations are recorded based on their fair value at the date of donation and are included in the Family and Patient Services programs and in management and general expenses in the accompanying statement of activities.

Functional allocation of expenses: The costs of providing various programs and administrative activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications: Certain amounts relating to 2014 have been reclassified to conform to the 2015 presentation with no effect on previously reported net income. See Note G for additional details.

Subsequent events: Subsequent events have been evaluated through April 29, 2016, which is the day the financial statements were available to be issued.

Asthma and Allergy Foundation of America

Notes to the Financial Statements

B. CONCENTRATIONS

Credit risk: The Foundation maintains demand deposits with commercial banks. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of these accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Foundation.

Market value risk: The Foundation also invests in a professionally managed portfolio of mutual funds. Such investments are exposed to market and credit risks and may be subject to fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

C. INVESTMENTS

In accordance with generally accepted accounting principles, the Foundation uses the following prioritized input levels to measure fair value of investments. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2 – Inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments recorded at fair value and classified within Level 1 include mutual funds, the fair values for which were based on quoted prices for identical assets in active markets.

Investments recorded at cost include a money market fund. Investments at cost are not required to be classified within the levels of the fair value hierarchy. Investments consisted of the following as of December 31,:

	2015	2014
Investments, at fair value		
Mutual funds - fixed income	\$ 961,364	\$ 1,098,963
Mutual funds - equities	1,260,034	1,126,479
Mutual funds - real estate fund	54,901	53,946
	<u>2,276,299</u>	<u>2,279,388</u>
Investments, at cost		
Money market funds	12,804	4,517
	<u>\$ 2,289,103</u>	<u>\$ 2,283,905</u>

Asthma and Allergy Foundation of America

Notes to the Financial Statements

C. INVESTMENTS – CONTINUED

Investment income consists of the following for the year ended December 31,:

	2015	2014
Interest and dividends	\$ 88,784	\$ 102,586
Realized and unrealized losses on investments, net	<u>(65,830)</u>	<u>(10,070)</u>
	<u>\$ 22,954</u>	<u>\$ 92,516</u>

D. GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable are presented at the gross amount due to the Foundation less an allowance for doubtful accounts.

Management periodically reviews the status of all grants and accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the customer, the Foundation's relationship with the customer, and the age of the receivable balance. As a result of these reviews, the Foundation has established an allowance for doubtful accounts representing an estimate of the accounts receivables that may not be collected.

Grants and accounts receivable consisted of the following at December 31,:

	2015	2014
Grants and accounts receivable	\$ 546,559	\$ 584,757
Less: allowance for doubtful accounts	<u>(12,000)</u>	<u>(15,360)</u>
	<u>\$ 534,559</u>	<u>\$ 569,397</u>

E. PLEDGES RECEIVABLE

The Foundation's pledges receivable balance consists of amounts due from the Combined Federal Campaign (CFC). As of December 31, 2015, substantially all pledges receivable were due within one year. Pledges receivable consisted of the following as of December 31,:

	2015	2014
Pledges receivable	\$ 106,684	\$ 71,798
Less: allowance for doubtful accounts	<u>(20,248)</u>	<u>(22,082)</u>
	<u>\$ 86,436</u>	<u>\$ 49,716</u>

Asthma and Allergy Foundation of America

Notes to the Financial Statements

F. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31,:

	2015	2014
Leasehold improvements	\$ 326,992	\$ 326,992
Computer equipment	72,570	72,570
Furniture and fixtures	<u>50,343</u>	<u>47,343</u>
	449,905	446,905
Less accumulated depreciation	<u>(321,140)</u>	<u>(282,203)</u>
	<u>\$ 128,765</u>	<u>\$ 164,702</u>

G. JOINT CERTIFICATION PROGRAM

During 2005, the Foundation entered into a joint certification program (the Program) with Allergy Standards Limited (ASL) to raise awareness of asthma and allergies. The term of this agreement ends in 2020, however, either party can terminate the agreement if certain conditions exist. Under the agreement, the Foundation and ASL shall be exclusive and equal partners in the Program, shall share the licensing and other revenues equally (except for certain application fees and testing costs), and shall be responsible equally for costs of running the Program. During the year ended December 31, 2015 and 2014, the program generated gross revenue of \$1,912,927 and \$1,396,527, respectively. For the years ended December 31, 2015 and 2014, respectively, the Foundation's share of the revenue totaled \$915,846 and \$691,912 and is reported in the Statement of Activities as certification income.

Prior to 2015, the Foundation reported the Program's gross revenue on its statement of activities. An expense equal to ASL's 50% share of the Program's gross revenue was recorded as a component of the Foundation's Public Information expense. Beginning in 2015, the Foundation determined that it was appropriate for it to present only its 50% share of total Program revenue on the statement of activities. As a result, for comparative purposes, the 2014 Certification revenue and Public Information expense have each been reduced by \$704,615 from the amounts originally reported.

H. PENSION PLAN

The Foundation has a defined contribution plan (the Plan) for the benefit of its employees. Eligible employees begin participation in the Plan on the first day of the month following completion of a one-month period of service and the attainment of age 21. After the completion of one year of service, the Foundation matches an employee's contribution, dollar for dollar, up to 8% of the employee's salary, which is the maximum amount that the Foundation contributes. An employee may make contributions of his or her salary up to the annual statutory limits. The Foundation's contributions to the Plan totaled \$78,756 and \$96,948 for the years ended December 31, 2015 and 2014, respectively.

Asthma and Allergy Foundation of America

Notes to the Financial Statements

I. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31,:

	2015	2014
Public information	\$ 471,699	\$ 99,303
Family & patient services and professional education	234,814	256,926
Endowment fund for research	180,803	186,143
Community and chapter outreach	362,013	389,160
Research	43,004	154,796
	<u>\$ 1,292,333</u>	<u>\$ 1,086,328</u>

Net assets released from restrictions consisted of the following for the years ended December 31,:

	2015	2014
Community and chapter outreach	\$ 163,147	\$ 470,063
Public information	334,604	194,404
Research	128,191	372,225
Family & patient services and professional education	42,113	33,678
	<u>\$ 668,055</u>	<u>\$ 1,070,370</u>

Asthma and Allergy Foundation of America

Notes to the Financial Statements

J. ENDOWMENT

The Foundation has a donor-restricted endowment fund established for the purpose of supporting research by physician-scientists in the field of allergy and immunology. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the New York Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. 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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment policies of the Foundation.

Fund with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies reported as of December 31, 2015 and 2014.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods, as well as board-designated funds. Given the relationship between risk and return, a fundamental step in determining the investment policy for the endowment fund is the determination of an appropriate risk tolerance. After taking into consideration such factors as corporate financial stability, uncertainty of cash flows in and out of the endowment fund over the long term, and capital market volatility, the Board of Directors believes that a moderate risk strategy is prudent. Under this policy, as approved by the Board of Directors, the goal is to have stable returns over the long term, with a reduced potential of negative returns in any given year. The Foundation expects its endowment fund, over time, to provide an annual average rate of return of approximately 4%. Actual returns in any given year may vary from this amount.

Asthma and Allergy Foundation of America

Notes to the Financial Statements

J. ENDOWMENT - CONTINUED

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation 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 Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

At year-end, the Foundation has a policy of distributing 4% of the moving average of the past 12 quarters' closing market value of the endowment investment. In establishing this policy, the Foundation considered the long-term expected return of its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment fund to grow 4% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

The Foundation's endowment net asset composition by fund type was as follows as of December 31,:

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	\$ -	\$ 180,803	\$ 160,000	\$ 340,803
2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	\$ -	\$ 186,143	\$ 160,000	\$ 346,143

Changes in endowment net assets were as follows for the year ended December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 186,143	\$ 160,000	\$ 346,143
Investment return				
Interest and dividends		7,604		7,604
Net depreciation (realized and unrealized)		(5,736)		(5,736)
Investment fees		(808)		(808)
Total investment return	-	1,060	-	1,060
Appropriation of endowment assets for expenditure		(6,400)		(6,400)
Total endowment funds, end of year	\$ -	\$ 180,803	\$ 160,000	\$ 340,803

Asthma and Allergy Foundation of America

Notes to the Financial Statements

J. ENDOWMENT - CONTINUED

Changes in endowment net assets were as follows for the year ended December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 185,506	\$ 160,000	\$ 345,506
Investment return				
Interest and dividends		8,659		8,659
Net depreciation (realized and unrealized)		(838)		(838)
Investment fees		(784)		(784)
Total investment return	-	7,037	-	7,037
Appropriation of endowment assets for expenditure		(6,400)		(6,400)
Total endowment funds, end of year	\$ -	\$ 186,143	\$ 160,000	\$ 346,143

K. COMMITMENTS AND CONTINGENCIES

Office leases: The Foundation entered into a noncancelable operating lease for its national headquarters' office space, which is scheduled to expire on July 31, 2019. Under the terms of the agreement, the Foundation is responsible for its proportionate share of real estate taxes and operating and maintenance costs, and for annual rent increases over the term of the lease. The Foundation was also required to make a security deposit of \$11,368.

The Foundation also received a six-month rent abatement at the lease's commencement date and a construction allowance totaling \$321,438. Under GAAP, all fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is included in deferred rent and lease incentives in the accompanying statement of financial position. Additionally, the construction allowance of \$321,438 has been capitalized as leasehold improvements under property and equipment and is being amortized on a straight-line basis over the term of the lease. The leasehold improvements allowance has also been included in deferred rent and lease incentives in the accompanying statement of financial position and is amortized on a straight-line basis over the lease term.

In addition, the Foundation has a noncancelable operating lease for its office space in Fountainville, Pennsylvania, which is scheduled to expire on March 31, 2017. Under the terms of the lease agreement, the Foundation is responsible for its operating and maintenance costs and for an annual rent increases.

Asthma and Allergy Foundation of America

Notes to the Financial Statements

K. COMMITMENTS AND CONTINGENCIES - CONTINUED

Future minimum rental payments under the noncancelable operating leases are as follows:

Year Ending December 31,

2016	\$	182,336
2017		174,283
2018		174,988
2019		<u>103,839</u>
	\$	<u>635,446</u>

Rent expense totaled \$137,509 and \$135,823 for the years ended December 31, 2015 and 2014, respectively.

Employment agreement: The Foundation has an employment agreement with its President and CEO. Under the terms of the agreement, should the Foundation terminate his employment without cause, the Foundation would be obligated to pay severance.

Federal Grants: The Foundation participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by the Federal agencies or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit.