KPMG

THE AMERICAN NATIONAL RED CROSS

Consolidated Financial Statements

June 30, 2015
(with summarized information for the year ended June 30, 2014)

(With Independent Auditors' Report Thereon)

KPMG LLP
1676 International Drive
McLean, VA 22102

Independent Auditors' Report

The Board of Governors
The American National Red Cross:

We have audited the accompanying consolidated financial statements of The American National Red Cross (the Organization), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The American National Red Cross as of June 30, 2015, and the changes in their net assets, their functional expenses and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

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Report on Summarized Comparative Information

We have previously audited The American National Red Cross 2014 consolidated financial statements, and expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 29, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

October 28, 2015

THE AMERICAN NATIONAL RED CROSS

Consolidated Statement of Financial Position

June 30, 2015
(with comparative information as of June 30, 2014)
(In thousands)

Assets		**2015**		**2014**
Current assets:				
Cash and cash equivalents	$	119,322	$	46,976
Investments (Note 8)		397,845		521,485
Trade receivables, including grants, net of allowance for doubtful accounts of $3,066 in 2015 and $4,463 in 2014 (Note 11)		191,582		190,528
Contributions receivable, net (Note 2)		76,010		83,830
Inventories, net of allowance for obsolescence of $7,298 in 2015 and $3,832 in 2014		71,555		108,979
Other current assets		16,854		16,798
Total current assets		873,168		968,596
Investments (Note 8)		1,385,927		1,553,756
Contributions receivable, net (Note 2)		8,751		11,981
Land, buildings, and other property, net (Note 3)		845,053		995,695
Assets held for sale, net (Note 3)		117,078		-
Other assets (Note 9)		256,165		261,615
Total assets		3,486,142		3,791,643
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses		260,977		280,869
Current portion of debt (Note 4)		41,809		18,532
Postretirement benefits (Note 10)		3,800		3,807
Other current liabilities (Note 9 and 11)		154,933		132,228
Total current liabilities		461,519		435,436
Debt (Note 4)		603,172		727,221
Pension and postretirement benefits (Note 10)		682,514		520,029
Other liabilities (Notes 4 and 9)		145,127		148,199
Total liabilities		1,892,332		1,830,885
Net assets (Notes 6 and 7):				
Unrestricted net assets		49,676		339,577
Temporarily restricted net assets		751,529		857,420
Permanently restricted net assets		792,605		763,761
Total net assets		1,593,810		1,960,758
Commitments and contingencies (Notes 4, 5, 8, 10, 11)				
Total liabilities and net assets	$	3,486,142	$	3,791,643

See accompanying notes to the consolidated financial statements.

THE AMERICAN NATIONAL RED CROSS

Consolidated Statement of Activities

Year ended June 30, 2015
(with summarized information for the year ended June 30, 2014)
(In thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2015	Totals 2014
Operating revenues and gains:					
Contributions:					
Corporate, foundation and individual giving	$ 211,665	$ 185,073	$ 455	$ 397,193	$ 510,099
United Way and other federated	13,797	63,121	-	76,918	103,739
Legacies and bequests	64,701	9,104	32,005	105,810	86,241
Services and materials	18,783	4,961	-	23,744	22,978
Products and services:					
Biomedical	1,798,176	-	-	1,798,176	1,889,790
Program materials	126,883	-	-	126,883	129,455
Contracts, including federal government	66,088	-	-	66,088	73,933
Investment income (Note 8)	73,166	34,393	-	107,559	85,838
Other revenues	35,072	70	-	35,142	87,066
Net assets released from restrictions	405,184	(405,184)	-	-	-
Total operating revenues and gains	2,813,515	(108,462)	32,460	2,737,513	2,989,139
Operating expenses:					
Program services:					
Services to the Armed Forces	48,744	-	-	48,744	46,173
Biomedical services (Note 12)	1,869,188	-	-	1,869,188	1,979,894
Community services	43,128	-	-	43,128	49,458
Domestic disaster services	356,496	-	-	356,496	364,074
Health and safety services	146,590	-	-	146,590	196,125
International relief and development services	129,807	-	-	129,807	127,385
Total program services	2,593,953	-	-	2,593,953	2,763,109
Supporting services:					
Fund raising	180,934	-	-	180,934	183,224
Management and general	121,952	-	-	121,952	115,899
Total supporting services	302,886	-	-	302,886	299,123
Total operating expenses	2,896,839	-	-	2,896,839	3,062,232
Change in net assets from operations	(83,324)	(108,462)	32,460	(159,326)	(73,093)
Nonoperating gains (losses) (Note 8)	(53,960)	2,571	(3,616)	(55,005)	96,940
Pension-related changes other than net periodic benefit cost (Note 10)	(152,617)	-	-	(152,617)	(53,146)
Change in net assets	(289,901)	(105,891)	28,844	(366,948)	(29,299)
Net assets, beginning of year	339,577	857,420	763,761	1,960,758	1,990,057
Net assets, end of year	$ 49,676	$ 751,529	$ 792,605	$ 1,593,810	$ 1,960,758

See accompanying notes to the consolidated financial statements.

THE AMERICAN NATIONAL RED CROSS

Statement of Functional Expenses

Year ended June 30, 2015
(with summarized information for the year ended June 30, 2014)
(In thousands)

	Program Services						
	Service to Armed Forces	Biomedical Services	Community Services	Domestic Disaster Services	Health and Safety Services	International Relief & Development Services	Total Program Services
Salaries and wages	$ 25,068	$ 828,213	$ 16,733	$ 99,878	$ 59,322	$ 22,080	$ 1,051,294
Employee benefits	7,371	243,133	4,921	29,370	17,444	6,493	308,732
Subtotal	32,439	1,071,346	21,654	129,248	76,766	28,573	1,360,026
Travel and maintenance	1,703	27,010	418	10,352	6,703	4,916	51,102
Equipment maintenance and rental	831	55,754	1,940	9,286	843	1,545	70,199
Supplies and materials	1,184	431,424	6,353	35,424	11,394	851	486,630
Contractual services	8,755	246,288	7,276	50,591	43,675	23,557	380,142
Financial and material assistance	2,493	1,342	3,951	112,966	2,271	69,734	192,757
Depreciation and amortization	1,339	36,024	1,536	8,629	4,938	631	53,097
Total expenses	$ 48,744	$ 1,869,188	$ 43,128	$ 356,496	$ 146,590	$ 129,807	$ 2,593,953

	Supporting Services			Total Expenses	
	Fund Raising	Management and General	Total Supporting Services	2015	2014
Salaries and wages	$ 80,924	$ 48,736	$ 129,660	$ 1,180,954	$ 1,267,709
Employee benefits	23,797	14,331	38,128	346,860	314,434
Subtotal	104,721	63,067	167,788	1,527,814	1,582,143
Travel and maintenance	4,329	2,288	6,617	57,719	71,574
Equipment maintenance and rental	1,981	818	2,799	72,998	80,515
Supplies and materials	3,052	215	3,267	489,897	495,466
Contractual services	60,990	49,747	110,737	490,879	536,899
Financial and material assistance	492	477	969	193,726	229,998
Depreciation and amortization	5,369	5,340	10,709	63,806	65,637
Total expenses	$ 180,934	$ 121,952	$ 302,886	$ 2,896,839	$ 3,062,232

See accompanying notes to the consolidated financial statements.

THE AMERICAN NATIONAL RED CROSS

Consolidated Statement of Cash Flows

Year ended June 30, 2015
(with comparative information for the year ended June 30, 2014)
(In thousands)

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ (366,948)	$ (29,299)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	63,806	65,637
Provision for (recovery of) doubtful accounts receivable	(4,167)	1,246
Provision for obsolete inventory	3,466	(882)
Net gain on sales of property	(846)	(6,683)
Net investment and derivative gain	(14,870)	(119,682)
Pension and postretirement related changes other than net periodic benefit costs	152,617	53,146
Permanently restricted contributions	(32,460)	(20,814)
Changes in operating assets and liabilities:		
Receivables	14,163	38,012
Inventories	33,958	4,853
Other assets	5,394	(4,201)
Accounts payable and accrued expenses	(19,892)	(44,941)
Other liabilities	18,780	(31,165)
Pension and postretirement benefits	9,861	(87,689)
Net cash used in operating activities	(137,138)	(182,462)
Cash flows from investing activities:		
Purchases of property	(31,831)	(53,305)
Proceeds from sales of property	2,435	17,110
Purchases of investments	(60,379)	(145,237)
Proceeds from sales of investments	367,571	275,573
Net cash provided by investing activities	277,796	94,141
Cash flows from financing activities:		
Permanently restricted contributions	32,460	20,814
Proceeds from borrowings	2,100	50,000
Repayments of debt	(102,872)	(18,238)
Net cash (used in) provided by financing activities	(68,312)	52,576
Net increase (decrease) in cash and cash equivalents	72,346	(35,745)
Cash and cash equivalents, beginning of year	46,976	82,721
Cash and cash equivalents, end of year	$ 119,322	$ 46,976
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 25,997	$ 26,937
Noncash investing and financing transactions:		
Contribution related to acquisition of an organization	$ -	$ 19,994

See accompanying notes to the consolidated financial statements.

(1) Summary of Significant Accounting Policies

Organization and Basis of Presentation: The American National Red Cross (the Organization) was established by an Act of the United States Congress on January 5, 1905 for the primary purposes of furnishing volunteer aid to the sick and wounded of the Armed Forces in time of war and to carry on a system of national and international relief in time of peace to mitigate the suffering caused by fire, famine, floods and other great natural calamities. The mission of the Organization has expanded since that time to help people prevent, prepare for, and respond to emergencies.

The accompanying consolidated financial statements present the consolidated financial position and changes in net assets, functional expenses and cash flows of the Organization. The Organization has national and international programs that are conducted by its headquarters, biomedical services, and chartered local chapters. Also included in the consolidated financial statements are the net assets and operations of Boardman Indemnity Ltd., a 100% owned captive insurance subsidiary, ARC Receivables Company, LLC, a wholly owned bankruptcy-remote special purpose entity, and Delta Blood Bank, LLC, a wholly owned blood bank. All significant intra-organizational accounts and transactions have been eliminated.

Program activities include services to the Armed Forces, biomedical services, community services, disaster services, health and safety services, and international relief and development services. Biomedical services includes activities associated with the collection, processing, testing, and distribution of whole blood and components at 36 local blood services region operations, three national testing laboratories, a biomedical research facility, and related national support functions.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the income earned for either general or donor-specified purposes.

The consolidated financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2014 from which the summarized information was derived.

Use of Estimates: The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ from management's estimates.

Cash Equivalents: The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of money market mutual funds and overnight investments of approximately $92 million and $25 million as of June 30, 2015 and 2014, respectively.

Investments: Investments are reported at fair value except for certain commingled funds and alternative funds that, as a practical expedient, are reported at estimated fair value utilizing net asset values. Net asset value, in many instances may not equal the fair value. The Organization does not intend to sell any of the funds at an amount different from net asset value per share at June 30, 2015. The Organization reviews and evaluates the net asset values provided by the general partners and fund managers and agrees with the valuation methods and assumptions used in determining net asset values of these funds.

Investment income classified as operating revenue consists of interest and dividend income on investments and any gains approved for use in operations (note 8). All other realized and unrealized gains or losses are classified as nonoperating activity and are available to support operations in future years and to offset potential market declines.

Investments classified as current are available for operations in the next fiscal year.

Derivative Financial Instruments: The Organization makes use of derivative financial instruments in order to mitigate certain risks. Derivative financial instruments are recorded at fair value (note 8). Derivatives in an asset and liability position are offset against each other and reported net in investments in the statement of financial position.

Endowment Fund: The Organization has maintained a national endowment fund since 1905. Since 1910, any gift to the American Red Cross National Headquarters from a will, trust or similar instrument that did not direct the use of the funds was deposited into the Endowment Fund, recorded as permanently restricted to be kept and invested in perpetuity and, accordingly, reported as permanently restricted net assets. In fiscal year 2015, the Organization adopted a new policy that gifts to the American Red Cross National Headquarters from a will, trust or similar instrument dated on or after July 1, 2015 without a direction to the application or purpose of the funds shall be allocated at the discretion of senior management to where the need is greatest. Such amounts will be reported as increases to unrestricted net assets. All gifts to the American Red Cross National Headquarters that are designated to be permanently restricted shall continue to be deposited into the Endowment Fund regardless of the date of the gift instrument.

Inventories: Inventories of supplies purchased for use in program and supporting services are valued using the average cost method. Whole blood and its components are valued at the lower of average cost or market.

Land, Buildings, and Other Property: Purchases of land, buildings, and other property having a unit cost per established guidelines and a useful life of three or more years are capitalized at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Interest expense incurred during a period of construction, less related interest income earned on proceeds of tax-exempt borrowings, is capitalized.

Property under capital leases is amortized over the lease term. Any gain or loss on the sale of land, buildings and other property is reported as other revenues on the consolidated statement of activities.

Application development costs incurred to develop internal-use software are capitalized and amortized over the expected useful life of the software application. Activities that are considered application development include design of software configuration and interfaces, coding, installation of hardware, and testing. All other expenses incurred to develop internal-use software are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Class of property	Useful life in years
Buildings	45
Building improvements	10
Equipment and software	3–15

Long-Lived Assets: Long-lived assets, such as land, building and other property, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Property and Casualty Insurance: The Organization maintains various insurance policies under which it assumes a portion of each insured loss. Assumed losses are retained by the Organization through its wholly owned insurance subsidiary, Boardman Indemnity, Ltd. (Boardman). The Organization also purchases insurance to supplement the coverage by Boardman. The liabilities for outstanding losses and incurred but not reported claims have been determined based on actuarial studies and are reported as other liabilities in the consolidated statement of financial position, and were approximately $92 million and $99 million as of June 30, 2015 and 2014, respectively.

Revenue Recognition: Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Contributions receivable due beyond one year are stated at net present value of the estimated cash flows using a risk-adjusted rate. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Organization reports contributions in the temporarily or permanently restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the consolidated statement of activities.

Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period.

Products and services revenue, which arises principally from sales of whole blood and components and health and safety course fees, is generally recognized upon shipment of the product or delivery of the services to the customer.

Revenues from grants and contracts, including those from federal agencies, are generally reported as unrestricted contract revenue and are recognized as qualifying expenses are incurred under the agreement.

Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Contributed Services and Materials: Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. The Organization recorded contributed services revenue and related expense for the years ended June 30, 2015 and 2014 of approximately $4 million and $6 million, respectively, mostly in support of the disaster services program.

Donated materials are recorded at their fair value at the date of the gift. Gifts of long-lived assets are recorded as restricted support. This restriction is released ratably over the useful life of the asset.

Income Taxes: The American National Red Cross is a not-for-profit organization incorporated by the U.S. Congress through the issuance of a federal charter. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. At June 30, 2015 and 2014, the Organization has determined that no income taxes are due for its activities. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements.

Accounts Receivable Securitization: The Organization has an accounts receivable securitization program that is accounted under Accounting Standards Update (ASU) No. 2009-16, Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets (note 11).

(2) Contributions Receivable

The Organization anticipates collection of outstanding contributions receivable as follows at June 30, 2015 and 2014 (in thousands):

		2015	2014
Amounts receivable within one year	$	79,074	89,663
Amounts receivable in 1 to 5 years (net of discount of $341 and $251 for 2015 and 2014, respectively)		8,751	11,981
Total contributions receivable before allowance for uncollectible amounts		87,825	101,644
Less allowance for uncollectible amounts		(3,064)	(5,833)
Contributions receivable, net		84,761	95,811
Less current portion		76,010	83,830
Contributions receivable, net, noncurrent	$	8,751	11,981

Amounts presented above have been discounted to present value using various discount rates ranging between 0.09% and 2.58%.

(3) Land, Buildings, and Other Property

The cost and accumulated depreciation of land, buildings, and other property were as follows at June 30, 2015 and 2014 (in thousands):

		2015	2014
Land	$	120,366	123,561
Buildings and improvements		994,286	1,158,088
Equipment and software		693,911	708,913
Buildings and equipment under capital lease		20,696	1,787
Total cost of assets placed in service		1,829,259	1,992,349
Less accumulated depreciation and amortization		(998,138)	(1,014,215)
Construction-in-progress		13,932	17,561
Land, buildings, and other property, net	$	845,053	995,695

(Continued)

Assets held for sale were as follows at June 30, 2015 (in thousands):

		2015
Land	$	2,902
Buildings and improvements		163,634
Total cost of asset sheld for sale		166,536
Less accumulated depreciation and amortization		(49,458)
Assets held for sale, net	$	117,078

These assets have been segregated from land, buildings, and other property and presented as assets held for sale within the accompanying consolidated financial statements. The Organization identified these assets as not critical to supporting its primary mission as part of ongoing assessment procedures and expects these assets to be sold in fiscal year 2016. The carrying value of these assets has been compared to the current appraised values less cost to sell and determined not to be impaired.

(4) Debt

Debt consists of the following at June 30, 2015 and 2014 (in thousands):

		2015	2014
Fixed rate debt:			
Bearing interest rates ranging from 0% to 5.85%, due calendar year 2015 through 2044	$	509,247	508,343
Variable rate debt:			
Bearing interest rates ranging from 0.01% to 0.83%, due calendar year 2015 through 2034:			
Variable rate debt with demand repayment rights		95,726	187,308
Variable rate debt without demand repayment rights		40,000	50,000
Total bonds and notes payable		644,973	745,651
Obligations under capital leases		8	102
Total debt		644,981	745,753
Less current portion		41,809	18,532
Debt, noncurrent portion	$	603,172	727,221

The Organization's debt is generally backed only by the full faith and credit of The American National Red Cross. Certain bonds are subject to redemption prior to the maturity at the option of the Organization. The repayment terms of the variable rate debt generally require monthly payments of interest and annual principal reduction. The registered owners of the bonds and notes with demand repayment rights may demand repurchase of the bonds and notes for an amount equal to the principal plus accrued interest. Letters of credit or standby credit facilities have been established with multiple banks in the aggregate amount of $114 million and $204 million for fiscal years 2015 and 2014, respectively, to provide liquidity in the event other funding is not available for repurchasing. As of June 30, 2015, the maturity dates for these liquidity facilities are from calendar year 2015 through 2017. Approximately $10 million of the debt with demand repayment rights bears interest at flexible rates with flexible rate periods of any duration up to 270 days. The remaining debt with demand repayment rights is remarketed on a weekly basis bearing interest rates that are reset weekly. Included in debt, noncurrent portion, is approximately $44 million of debt supported by letters of credit with maturity dates from December 2015 to February 2016. The Organization has the ability and intent to refinance these letters of credit on a long-term basis and entered into a financing agreement with a term of up to ten years subsequent to June 30, 2015.

Certain of the Organization’s debt agreements include covenants that require the Organization to maintain certain levels of financial ratios. The Organization was in compliance with its covenant requirements as of and for the year ended June 30, 2015.

Scheduled maturities and sinking fund requirements of the debt and credit agreements as of June 30, 2015 are as follows (in thousands):

2016	$	41,809
2017		30,727
2018		41,268
2019		31,199
2020		30,833
Thereafter		469,145
	$	644,981

The carrying value and estimated fair value of the Organization’s noncurrent debt as of June 30, 2015 and 2014 are summarized as follows (in thousands):

		2015		**2014**	
		Carrying value	**Fair value Level 2**	**Carrying value**	**Fair value Level 2**
Noncurrent debt	$	603,172	629,278	727,221	762,519

The fair value estimate is based on quoted prices for bond issues with similar maturities and credit quality (Level 2). See note 8 for definitions of Level 1, 2 and 3. The market prices utilized reflect the rate the Organization would have to pay a credit worthy third party to assume its obligation and do not reflect an additional liability to the Organization.

Interest expense was approximately $33 million and $34 million for the years ended June 30, 2015 and 2014, respectively, which is included in contractual services on the statement of functional expenses.

Bank Lines of Credit: The Organization maintained several committed and uncommitted lines of credit with various banks for its working capital requirements. As of June 30, 2015 and 2014, there were no borrowings outstanding under lines of credit. The Organization had unused lines of credit outstanding of approximately $340 million at June 30, 2015 and 2014. The amounts available to be borrowed on the lines of credit are subject to the limitations of the Organization's debt covenants.

Interest Rate Swap Agreements: The Organization held variable rate debt of approximately $136 million and $237 million at June 30, 2015 and 2014, respectively. Interest rate swap agreements are used by the Organization to mitigate the risk of changes in interest rates associated with variable interest rate indebtedness. Under such arrangements, a portion of variable rate indebtedness is converted to fixed rates based on a notional principal amount. The interest rate swap agreements are derivative instruments that are recognized at fair value and recorded on the statement of financial position. At June 30, 2015, the aggregate notional principal amount under the interest rate swap agreements, with maturity dates ranging from calendar year 2015 through 2021, totaled $93 million. At June 30, 2014, the aggregate notional principal amount under the interest rate swap agreements, with maturity dates ranging from 2014 through 2021, totaled $105 million. The estimated fair value of the interest rate swap agreements was a liability of approximately $6 million and $7 million, respectively, and is included in other liabilities in the accompanying consolidated statements of financial position as of June 30, 2015 and 2014.

The change in fair value on these interest rate swap agreements was a gain of approximately $1 million for the years ended June 30, 2015 and 2014, and is included in nonoperating gains in the consolidated statements of activities.

For the valuation of the interest rate swap at June 30, 2015 and 2014, the Organization used significant other observable inputs as of the valuation date (Level 2), including prices of instruments with similar maturities and characteristics, interest rate yield curves and measures of interest rate volatility. The value was determined and adjusted to reflect nonperformance risk of both the counterparty and the Organization. See note 8 for definitions of Levels 1, 2 and 3.

Letters of Credit: The Organization had unused letters of credit outstanding of approximately $53 million and $52 million at June 30, 2015 and 2014, respectively.

(5) Leases

The Organization leases certain buildings and equipment for use in its operations. The following summarizes minimum future rental payments under operating leases for the fiscal years ending June 30 (in thousands):

2016	$	20,183
2017		15,583
2018		11,771
2019		8,349
2020		6,648
Thereafter		34,359
Total minimum lease payments	$	96,893

Total rent expense was approximately $47 million and $52 million for the years ended June 30, 2015 and 2014, respectively, and is included in contractual services on the consolidated statement of functional expenses.

(6) Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2015 and 2014 (in thousands):

		2015	2014
Disaster services	$	25,484	92,430
Biomedical services		2,722	334
Health and safety services		1,350	2,383
International relief and development services		218,155	260,037
Community services		1,175	3,087
Buildings and equipment		6,183	7,105
Endowment inflation adjustment reserve		200,659	200,024
Endowment assets available for future appropriation		204,594	200,756
Other specific purposes		20,748	25,902
Time restricted		70,459	65,362
Total temporarily restricted net assets	$	751,529	857,420

Permanently restricted net assets at June 30, 2015 and 2014 consist primarily of endowed contributions, the income from which is available principally to fund general operations. Other permanently restricted net assets consist of beneficial interests in perpetual trusts and other split interest agreements (note 9).

(7) Endowments

Effective January 23, 2008, the District of Columbia enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, the Organization is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. The Organization classifies as permanently restricted net assets the original value of gifts donated to be held in perpetuity. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization has adopted and the Governing Board has approved the Statement of Investment Policies and Objectives for the endowment fund. This policy has identified an appropriate risk posture for the fund, stated expectations and objectives for the fund, provides asset allocation guidelines and establishes criteria to monitor and evaluate the performance results of the fund's managers.

To satisfy its long term rate of return objectives, the Organization 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 Organization makes distributions from income earned on the endowment fund for current operations using the total return method. In establishing this method, the Organization considered the long-term expected return on its funds. To the extent that distributions exceed net investment income, they are made from accumulated gains. The Board of Governors approves the spending rate, calculated as a percentage of the five-year calendar trailing average fair value of the endowment fund at the beginning of each fiscal year.

A spending rate of approximately 3.8% for year 2015 and 3.9% for year 2014 of the trailing five-year market value was applied to each unit of the endowment fund and resulted in total distributions of approximately $34 million and $32 million for the years ended June 30, 2015 and 2014, respectively. Approximately $28 million and $24 million of the amounts represent utilization of accumulated realized gains, for the years ended June 30, 2015 and 2014, respectively. A spending rate of approximately 3.8% of the trailing five-year market value has been approved for 2016.

Net asset classification by type of endowment as of June 30, 2015, is as follows (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	—	405,253	609,129	1,014,382

Changes in endowment net assets for the year ended June 30, 2015 (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	—	400,780	581,429	982,209
Investment return:					
Investment income		—	33,664	—	33,664
Net appreciation (net realized and unrealized gains/losses)		—	4,474	—	4,474
Total investment return		—	38,138	—	38,138
Contributions		—	—	27,700	27,700
Appropriation of endowment assets for expenditure		—	(33,665)	—	(33,665)
Endowment net assets, end of year	$	—	405,253	609,129	1,014,382

Net asset classification by type of endowment as of June 30, 2014 (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	—	400,780	581,429	982,209

Changes in endowment net assets for the year ended June 30, 2014 (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	—	329,477	561,835	891,312
Investment return:					
Investment income		—	31,967	—	31,967
Net appreciation (net realized and unrealized gains/losses)		—	71,304	—	71,304
Total investment return		—	103,271	—	103,271
Contributions		—	—	19,594	19,594
Appropriation of endowment assets for expenditure		—	(31,968)	—	(31,968)
Endowment net assets, end of year	$	—	400,780	581,429	982,209

(8) Investments and Fair Value Measurements

The Organization applies the provisions of ASC 820, *Fair Value Measurements and Disclosures*, for fair value measurements of investments that are recognized and disclosed at fair value in the financial statements on a recurring basis. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy that requires the Organization to maximize the use of observable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization’s market assumptions. The three levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets.
- Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or market – corroborated inputs.

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In certain cases, the inputs to measure fair value may result in an asset or liability falling into more than one level of the fair value hierarchy. In such cases, the determination of the classification of an asset or liability within the fair value hierarchy is based on the least determinate input that is significant to the fair value measurement. Investments measured using net asset value are classified as Level 2 if they are redeemable at or near year-end otherwise they are considered Level 3.

Transfers between levels may occur when there is a change in the observability of significant inputs. A transfer between Level l and Level 2 generally occurs when the availability of quoted prices changes or when market activity of an investment significantly changes to active or inactive. A transfer between Level 2 and Level 3 generally occurs when the underlying inputs become, or can no longer be, corroborated with observable market data. Transfers between levels are recognized on the date they occur. For the years ended June 30, 2015 and 2014, there were no transfers in or out of Levels 1, 2 or 3.

The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table represents investments that are measured at fair value on a recurring basis at June 30, 2015 and 2014 (in thousands):

	June 30, 2015	Level 1	Level 2	Level 3
U.S. government securities	$ 63,266	9,720	53,546	—
Corporate and foreign sovereign bonds and notes	194,676	110,886	83,790	—
Common and preferred stocks	302,815	245,072	57,743	—
Mortgage-backed assets	5,420	—	5,420	—
Fund of hedge funds	71,264	—	—	71,264
Global macro hedge funds	63,272	—	—	63,272
Hedged equity funds	201,255	—	—	201,255
Multistrategy and other hedge funds	134,318	—	—	134,318
Buyout and growth equity funds	138,851	—	—	138,851
Distressed debt and turnaround funds	37,548	—	—	37,548
Private real estate funds	44,856	—	—	44,856
Venture capital funds	13,624	—	—	13,624
Other private market funds	31,485	—	—	31,485
Derivative contracts	1,402	—	1,402	—
Money market and other	479,720	7,140	472,580	—
Total investments	$ 1,783,772	372,818	674,481	736,473

	June 30, 2014	Level 1	Level 2	Level 3
U.S. government securities	$ 139,679	11,652	128,027	—
Corporate and foreign sovereign bonds and notes	312,500	137,101	175,399	—
Common and preferred stocks	325,051	265,893	59,158	—
Mortgage-backed assets	6,887	—	6,887	—
Fund of hedge funds	68,409	—	—	68,409
Global macro hedge funds	64,094	—	—	64,094
Hedged equity funds	185,986	—	—	185,986
Multistrategy and other hedge funds	135,768	—	—	135,768
Buyout and growth equity funds	140,179	—	—	140,179
Distressed debt and turnaround funds	37,800	—	—	37,800
Private real estate funds	39,439	—	—	39,439
Venture capital funds	13,493	—	—	13,493
Other private market funds	34,509	—	—	34,509
Commodities	2,501	—	2,501	—
Derivative contracts	4,770	—	4,770	—
Money market and other	564,176	2,857	561,319	—
Total investments	$ 2,075,241	417,503	938,061	719,677

For the valuation of certain government, corporate and foreign sovereign bonds and notes, common and preferred stocks, and money market and other at June 30, 2015 and 2014, the Organization used quoted prices in principal active markets for identical assets as of the valuation date (Level 1).

For the valuation of certain government, corporate and foreign sovereign bonds and notes, which includes commingled funds, common and preferred stocks, mortgage and other asset-backed securities, commodities, and money market and other at June 30, 2015 and 2014, the Organization used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2). Commingled funds are classified as Level 2 as they are redeemable at net asset value at or near year-end.

The valuation of hedge funds, buyout and growth equity funds, distressed debt and turnaround funds, private real estate funds, venture capital funds, other private market funds, and commodities at June 30, 2015 and 2014, are reported at estimated fair value utilizing the net asset values provided by fund managers as a practical expedient. While these funds' net asset values utilize significant unobservable inputs (Level 3), management reviews and evaluates the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments.

The following table presents the Organization's activity for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC 820 for the years ended June 30, 2015 and 2014 (in thousands):

	Balance at June 30, 2014	Purchases	Settlements	Realized gains (losses)	Change in unrealized gains (losses)	Balance at June 30, 2015
Fund of hedge funds	68,409	—	—	—	2,855	71,264
Global macro hedge funds	64,094	—	(3,270)	—	2,448	63,272
Hedged equity funds	185,986	43,180	(49,588)	27,553	(5,876)	201,255
Multistrategy and other hedge funds	135,768	2,800	(6,514)	—	2,264	134,318
Buyout and growth equity funds	140,179	12,413	(14,847)	(28)	1,134	138,851
Distressed debt and turnaround funds	37,800	4,917	(2,524)	—	(2,645)	37,548
Private real estate funds	39,439	4,926	(6,423)	—	6,914	44,856
Venture capital funds	13,493	1,371	(955)	—	(285)	13,624
Other private market funds	34,509	2,318	(1,584)	—	(3,758)	31,485
	$ 719,677	71,925	(85,705)	27,525	3,051	736,473

	Balance at June 30, 2013	Purchases	Settlements	Realized gains (losses)	Change in unrealized gains (losses)	Balance at June 30, 2014
Other asset backed securities	$ 400	—	(417)	—	17	—
Fund of hedge funds	42,092	23,000	—	—	3,317	68,409
Global macro hedge funds	32,434	30,000	—	—	1,660	64,094
Hedged equity funds	203,224	1,894	(67,358)	42,353	5,873	185,986
Multistrategy and other hedge funds	115,400	49,793	(36,592)	(2,368)	9,535	135,768
Buyout and growth equity funds	124,279	13,985	(11,048)	3	12,960	140,179
Distressed debt and turnaround funds	34,336	13,578	(5,306)	—	(4,808)	37,800
Private real estate funds	38,605	5,904	(8,652)	—	3,582	39,439
Venture capital funds	12,673	1,573	(601)	—	(152)	13,493
Other private market funds	33,793	6,172	(2,597)	—	(2,859)	34,509
	$ 637,236	145,899	(132,571)	39,988	29,125	719,677

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

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Fund of hedge funds (a)	$ 71,264	—	annually	100 days
Global macro hedge funds (b)	63,272	—	monthly, quarterly	5-90 days
Hedged equity funds (c)	201,255	—	monthly, quarterly, annually, 50% bi-annually	45–90 days
Multistrategy and other hedge funds (d)	134,318	—	monthly, quarterly, annually, bi-annually	10–90 days
Buyout and growth equity funds (e)	138,851	42,481	None	—
Distressed debt and turnaround funds (f)	37,548	10,340	None	—
Private real estate funds (g)	44,856	22,604	None	—
Venture capital funds (h)	13,624	2,722	None	—
Other private market funds (i)	31,485	12,995	None	—
Public equity commingled funds (j)	30,550	—	weekly, monthly	1–30 days
Fixed income commingled funds (k)	139,945	—	weekly, monthly	1–30 days
Total	$ 906,968	91,142		

(a) The strategies of the underlying hedge funds in this category primarily include hedged equity, multistrategy, relative value, event driven and arbitrage strategies. While this is a single fund of funds, the Organization is invested in multiple share classes.

(b) The funds in this category invest primarily in liquid instruments such as fixed income, currency, commodities, equities, and derivatives. The funds include long and short positions and may use leverage. Two funds have legacy investments that have been segregated into illiquid vehicles – the value of these vehicles make up a minimal amount of the value of the investments in this category.

(c) This category is invested in hedge funds that invest primarily in U.S. and international equities as well as derivatives. The funds include long and short positions and may use leverage. Some funds may invest in illiquid investments, which are typically segregated into "side pockets" (a separate share class) and are not available for redemption until the investment is liquidated by the manager. The time at which the investments in side pockets will be liquidated is unknown. There is one fund with a redemption frequency of 50% bi-annually. However, payments for this fund may be spread over 36 months at the discretion of the manager.

(d) The strategies of the funds in this category include relative value, event driven, and arbitrage strategies. Underlying investments are typically the same as the types invested in both the public equity, fixed income commingled, bank debt, convertible bonds and derivatives. The funds include long and short and may use leverage. Some funds may invest in illiquid investments which are typically segregated into "side pockets" (a separate share class) and are not available for redemption until the investment is liquidated by the manager. The time at which the investments in side pockets will be liquidated is unknown.

(e) This category is invested in both US and international private equity funds and funds of funds whose mandates include leveraged buyouts and growth equity investments in companies.

(f) This category is invested in funds which primarily invest in distressed situations. Investments include marketable securities such as debt obligations and asset backed securities as well as nonmarketable investments such as nonperforming and sub performing real estate loans, consumer loans, and distressed debt. Some funds include short positions.

(g) This category includes funds and funds of funds, which invest in private real estate internationally and in the U.S. property types are primarily office, industrial, residential and retail.

(h) This category is invested in venture capital funds and funds of venture capital funds. Underlying investments are primarily private investments in early stage companies.

(i) This category is invested in funds and a fund of funds which make investments primarily in private oil and gas partnerships, timber, mineral and mining companies, health care royalties, and infrastructure such as ports, toll roads, airports and utilities.

(j) This category primarily includes commingled funds with investments in publicly traded equity securities and instruments.

(k) This category is invested primarily in commingled funds with investments in publicly traded fixed income securities and instruments including debt obligations of the U.S. government and agencies, non U.S. sovereign debt, corporate bonds, mortgage and asset backed securities.

(e), (f), (g), (h), (i) These nonmarketable funds do not permit redemptions. The timing of the return of capital is at the manager's discretion, subject to provisions documented in limited partnership agreements. In general, capital and realized gains are distributed to investors when an investment is liquidated. Interim distributions of interest, operating income and dividends are made by some funds. Some funds are able to recall distributions. It is estimated that the majority of underlying assets of the funds will be liquidated over the next ten years. The fair values of the investments in this category have been estimated using the net asset value of the Organization's ownership interest in the partners' capital.

(b), (c), (d) Investments in this category have provisions which allow for the suspension of redemptions in unusual circumstances. Certain investments in these categories have gate provisions, which allow a manager to limit redemptions despite the normal liquidity provisions if they receive redemptions in excess of the gate (a level stated in their governing documents). The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

(j), (k) Certain investments in these categories include gate provisions that do not exceed more than one year after the initial redemption request period, with the fund manager having ultimate discretion which may allow for halting all redemptions for an extended period. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

The Organization transacts in a variety of derivative instruments and contracts including both swaps and options for investment and hedging purposes in order to create or mitigate certain exposures. Each instrument's primary underlying exposure is equities or commodities. Such contracts involve, to varying degrees, risks of loss from the possible inability of counterparties to meet the terms of their contracts. Use of swaps partially mitigates counterparty risk. The Organization's derivatives are all transacted over-the-counter.

Commodity swap agreements are derivative instruments used by the Organization to gain exposure to various underlying commodity futures. The commodity swaps are required to be marked to fair value on a recurring basis.

The Organization uses equity options for both investment purposes and to hedge equity market exposure. The Organization uses options for the Euro Stoxx 50 to gain European market exposure. The Organization also uses equity collar strategies to hedge S&P 500 market risk. All equity contracts are marked to fair value on a recurring basis.

The following table lists the notional/contractual amount of derivatives by contract type included in investments at June 30, 2015 and 2014 (in thousands):

Derivative type		2015	2014
Commodity contracts	$	—	23,100
Equity contracts		240,001	284,327

The following table lists fair value of derivatives by contract type included in investments as of June 30, 2015 and 2014 (in thousands):

		Asset derivatives		Liability derivatives	
Derivative type		2015	2014	2015	2014
Commodity contracts	$	—	335	—	—
Equity contracts		1,426	4,534	24	99
Fair value of derivatives included in investments	$	1,426	4,869	24	99

The following table lists gains and losses on derivatives by contract type included in investment income as of June 30, 2015 and 2014 (in thousands):

Derivative type	Realized gains/(losses) 2015	Realized gains/(losses) 2014	Change in unrealized gains/(losses) 2015	Change in unrealized gains/(losses) 2014
Commodity contracts	$ 170	(201)	(335)	268
Equity contracts	(6,071)	(6,749)	256	493
	$ (5,901)	(6,950)	(79)	761

For the valuation of the Organization's derivative contracts at June 30, 2015, the Organization used significant other observable inputs as of the valuation date (Level 2), including prices of instruments with similar maturities and characteristics, interest rate yield curves, measures of interest rate volatility and various market indices. The value was determined and adjusted to reflect nonperformance risk of both the counterparty and the Organization.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the estimated fair value of investments reported in the consolidated statement of financial position as of June 30, 2015. However, the diversification of the Organization's invested assets among these various asset classes is management's strategy to mitigate the impact of any dramatic change on any one asset class.

The following schedule summarizes the composition of investment return for the years ended June 30, 2015 and 2014 (in thousands):

	2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Dividends and interest	$ 11,153	34,228	—	45,381
Net operating investment gains	62,013	165	—	62,178
Investment income available for operations	73,166	34,393	—	107,559
Net nonoperating investment gains (losses)	(53,960)	2,571	(3,616)	(55,005)
Total return on investments	$ 19,206	36,964	(3,616)	52,554

	2014			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Dividends and interest	$ 13,172	32,482	—	45,654
Net operating investment gains (losses)	40,195	(11)	—	40,184
Investment income available for operations	53,367	32,471	—	85,838
Net nonoperating investment gains	12,235	71,766	12,939	96,940
Total return on investments	$ 65,602	104,237	12,939	182,778

(9) Split Interest Agreements

The Organization is a beneficiary of split interest agreements in the form of charitable gift annuities, perpetual trusts held by third parties, charitable remainder trusts and pooled income funds. The value of split interest agreements is measured as the Organization's share of fair value of the assets. Of the $254 million and $259 million in assets under these agreements as of June 30, 2015 and 2014, respectively, which are included in other assets on the consolidated statement of financial position, $41 million and $44 million, respectively, are charitable gift annuities and the remainder are assets for which the Organization is not the trustee. Liabilities associated with these agreements are $25 million and $22 million for the years ended June 30, 2015 and 2014, respectively, of which $3 million is included in other current liabilities and $22 million and $19 million is included in other noncurrent liabilities on the consolidated statement of financial position, respectively.

(10) Benefit Plans

The Plan of the American National Red Cross: Before July 1, 2009, employees of the American Red Cross, including employees of participating local chapters, were covered by the Retirement System of the American National Red Cross (the Plan) after one year of employment and completion of 1,000 hours of service during any consecutive 12 month period. Effective July 1, 2009, the Plan was closed to employees hired after June 30, 2009.

Subject to provisions contained in collective bargaining agreements where applicable, the Plan was 'frozen' on December 31, 2012 (the freeze date). Employees who were participating in the Plan as of that date keep vested benefits earned, but stop earning additional pension benefits.

Prior to the freeze date, the benefit formula was based on years of service and the employees' final average compensation. Final average compensation was calculated using the highest consecutive 48 months of the last 120 months of service before the earlier of retirement or the freeze date.

For funding purposes under the Plan, normal pension costs are determined by the projected unit credit method and are funded currently. The Plan provides a defined benefit pension, funded entirely by the employer. Prior to July 1, 2005, voluntary after-tax contributions could be made by active members to fund an optional annuity benefit. The Organization's funding policy is set to comply with the funding requirements established under the Pension Protection Act of 2006 and to meet the requirements of ERISA. During fiscal year 2015, the Organization opted to use the established credit balance and did not contribute to the Plan. During fiscal year 2014, the Organization contributed 4.9% of covered payroll to the Plan.

The Organization also has a Defined Benefit Pension Plan for the Delta Blood Bank LLC with a $5 million and $2 million liability recorded in pension and postretirement benefits in the accompanying consolidated statement of financial position as of June 30, 2015 and 2014, respectively, and pension-related changes other than net periodic benefit cost of approximately $3.5 million and $559,000 for years ended June 30, 2015 and 2014, respectively.

The American Red Cross Life and Health Benefits Plan: The Organization also provides medical and dental benefits to eligible retirees and their eligible dependents. Generally, retirees and the Organization each pay a portion of the premium costs. The medical and dental plans pay a stated percentage of expenses reduced by deductibles and other coverages. The Organization has the right to modify cost-sharing provisions at any time. In addition, life insurance benefits of $5,000 are provided with no contributions required from the retirees. The Organization's postretirement benefit plans are unfunded.

Effective January 1, 2009, the Organization eliminated plan coverage (retiree medical and life benefits) for all future retirees that did not meet certain eligibility conditions as of that date. In addition, the plan was amended to transition Medicare eligible retirees to a private fee-for-service plan and to change the premium supplement tables and indexing effective July 1, 2009. Beginning in calendar year 2011, most Medicare eligible retirees were offered a Healthcare Reimbursement Account (HRA) to utilize in purchasing individual coverage through an external exchange program Centers for Medicare and Medicaid Services approved Medicare, Part D Prescription Drug and Medicare Supplement offering.

(Continued)

The following table presents the changes in benefit obligations, changes in Plan assets, and the composition of accrued benefit costs in the consolidated statements of financial position for the years ended June 30, 2015 and 2014 (in thousands):

	Pension benefits		Postretirement benefits	
	2015	**2014**	**2015**	**2014**
Changes in benefit obligations:				
Benefit obligations at beginning of year	$ 2,594,746	2,448,455	68,601	66,248
Service cost	1,589	2,116	213	303
Interest cost	122,263	127,787	2,859	3,130
Actuarial loss (gain)	101,720	162,812	(1,985)	400
Benefits paid	(113,994)	(146,424)	(3,522)	(3,112)
Benefit obligations at end of year	2,706,324	2,594,746	66,166	66,969
Changes in plan assets:				
Fair value of plan assets at beginning of year	2,139,923	1,956,324	—	—
Actual return on plan assets	65,442	251,889	—	—
Employer contributions	—	78,134	—	—
Benefits paid	(113,994)	(146,424)	—	—
Fair value of plan assets at end of year	2,091,371	2,139,923	—	—
Funded status-accrued benefit costs	$ (614,953)	(454,823)	(66,166)	(66,969)

Pension-related changes other than net periodic benefit cost for 2015:

	Pension benefits	Postretirement benefits	Total
Prior service cost	$ —	(263)	(263)
Amortized net loss (gain)	16,580	(1,433)	15,147
Net actuarial (loss) gain	(165,922)	1,985	(163,937)
	$ (149,342)	289	(149,053)

(Continued)

Pension-related changes other than net periodic benefit cost for 2014:

	Pension benefits	Postretirement benefits	Total
Prior service cost	$ —	(21,128)	(21,128)
Amortized net loss (gain)	11,859	(1,986)	9,873
Net actuarial loss	(42,050)	(400)	(42,450)
	$ (30,191)	(23,514)	(53,705)

Items not yet recognized as a component of net periodic benefit cost for 2015:

	Pension benefits	Postretirement benefits	Total
Unrecognized prior service credit	$ —	(509)	(509)
Unrecognized net actuarial loss (gains)	801,503	(13,188)	788,315
	$ 801,503	(13,697)	787,806

Items not yet recognized as a component of net periodic benefit cost for 2014:

	Pension benefits	Postretirement benefits	Total
Unrecognized prior service credit	$ —	(772)	(772)
Unrecognized net actuarial loss (gains)	652,162	(14,268)	637,894
	$ 652,162	(15,040)	637,122

Estimated amounts to be amortized into net periodic benefit cost over the next fiscal year are as follows:

	Pension benefits	Postretirement benefits	Total
Prior service cost	$ —	(180)	(180)
Net actuarial loss (gain)	18,261	(1,639)	16,622
	$ 18,261	(1,819)	16,442

The accumulated benefit obligation for the pension plan was approximately $2.7 billion and $2.6 billion as of June 30, 2015 and 2014, respectively. In 2015, Plan assumptions were updated to incorporate new mortality tables. Updating to the new mortality tables raises the assumed lifetime of Plan participants and, in turn, the Plan's projected benefit obligation.

The weighted average assumptions used to determine benefit obligations for 2015 and 2014 were as follows:

	Pension benefits		Postretirement benefits	
	2015	**2014**	**2015**	**2014**
Discount rate	5.01%	4.83%	4.45%	4.28%
Rate of compensation increase	5.00	5.00	—	—

The weighted average assumptions used to determine net benefit cost for 2015 and 2014 were as follows:

	Pension benefits		Postretirement benefits	
	2015	**2014**	**2015**	**2014**
Discount rate	4.83%	5.44%	4.28%	4.86%
Expected return on plan assets	6.25	6.75	—	—
Rate of compensation increase	5.00	5.00	—	—

The expected rate of return assumption on Plan assets was determined by considering current economic and market conditions and by reviewing asset class allocations, historical return analysis and forward looking capital market expectations. Asset class allocations were established by considering each class' risk premium commensurate for the level of risk, duration that matches the Plan's liabilities, and incremental diversification benefits. Historical returns and forward looking capital market expectations were gathered from, and compared among the Plan's investment managers, and a sampling of the consultant community.

For measurement purposes, approximately an 8.1% annual rate of increase in the per capita cost of covered health care benefits was assumed for fiscal year 2015. The rate was assumed to decrease gradually to 5% for 2025 and remain at that level thereafter. An 8% annual rate of increase in the per capita cost of covered health care benefits was assumed for fiscal year 2014. The rate was assumed to decrease gradually to 5% for 2022 and remain at that level thereafter.

The components of net periodic benefit cost (credit) for the years ended June 30, 2015 and 2014 were as follows (in thousands):

	Pension benefits		Postretirement benefits	
	2015	**2014**	**2015**	**2014**
Service cost	$ 1,589	2,115	213	303
Interest cost	122,263	127,787	2,859	3,130
Expected return on plan assets	(129,644)	(131,127)	—	—
Amortization of prior service cost (credit)	—	—	(263)	(21,128)
Net amortization loss (gain)	16,580	11,859	(1,433)	(1,986)
Net periodic benefit cost (credit)	$ 10,788	10,634	1,376	(19,681)

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects (in thousands):

	Point increase	Point decrease
Effect on total of service and interest cost components	$ 6	(5)
Effect on postretirement benefit obligation	120	(111)

The minimum funding requirement for the pension plan during the year ending June 30, 2016 is $70.8 million, which is expected to be offset by the available credit balance within the plan. The Organization expects to contribute $3.5 million to its postretirement benefit plan during the year ending June 30, 2016.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid, as of June 30, (in thousands):

	Pension benefits	Postretirement benefits
2016	$ 127,201	3,800
2017	133,390	3,862
2018	139,335	3,997
2019	144,873	4,097
2020	149,709	4,156
2021–2025	811,847	21,148
	$ 1,506,355	41,060

The Organization has investment guidelines for Plan assets. The overall objective of the guidelines is to ensure the Plan assets provide capital growth over an extended period of time, while also considering market risks and ensuring that the portfolio income and liquidity are appropriate to meet the Plan benefit payments and other expenses. The Plan investments are required to be diversified by asset class and within each asset class, in order to ensure that no single investment will have a disproportionate impact on the total portfolio. The Plan asset allocation is reviewed each year with current market assumptions to ensure the asset mix will achieve the long-term goals of the Plan. See note 8 for descriptions of the methodologies used to value plan assets, except for the equity interest in the par annuity and guaranteed accumulation fund which are valued based on significant unobservable inputs including discounted cash flows analysis, comparable analysis, or third party appraisals. See note 8 for the definitions of Levels 1, 2, and 3.

The Plan assets were invested in the following categories at June 30, 2015 and 2014:

	Pension assets	
	2015	**2014**
Cash and short-term investments	9%	11%
Domestic equity	3	2
International equity	12	14
Fixed income	29	26
Commodities	—	1
Marketable and nonmarketable alternative funds	47	46
	100%	100%

The Plan assets were within authorized asset allocation ranges at June 30, 2015 and 2014.

The following tables represent pension plan assets that are measured at fair value on a recurring basis at June 30, 2015 and 2014 (in thousands):

	Fair value measurements at June 30, 2015			
	Level 1	Level 2	Level 3	Total
U.S. government securities	$ 133,596	47,365	—	180,961
Corporate and foreign sovereign bonds and notes	21,985	293,874	—	315,859
Common and preferred stocks	251,978	52,857	—	304,835
Fund of hedge funds	—	—	53,945	53,945
Global macro hedge funds	—	—	90,988	90,988
Hedged equity funds	—	—	240,437	240,437
Multistrategy and other hedge funds	—	—	223,561	223,561
Buyout and growth equity funds	—	—	168,248	168,248
Distressed debt and turnaround funds	—	—	47,409	47,409
Private real estate funds	—	—	59,744	59,744
Venture capital funds	—	—	24,477	24,477
Other private market funds	—	—	91,804	91,804
Derivative contracts	—	(8,658)	—	(8,658)
Money market and other	3,112	186,953	—	190,066
Equity interest in par annuity	—	—	75,280	75,280
Guaranteed accumulation fund	—	—	32,414	32,414
Total	$ 410,671	572,392	1,108,307	2,091,371

	Fair value measurements at June 30, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
U.S. government securities	$ 104,635	7,311	—	111,946
Corporate and foreign sovereign bonds and notes	29,485	296,838	—	326,323
Common and preferred stocks	298,485	51,339	—	349,824
Fund of hedge funds	—	—	57,835	57,835
Global macro hedge funds	—	—	90,500	90,500
Hedged equity funds	—	—	167,721	167,721
Multistrategy and other hedge funds	—	—	240,501	240,501
Buyout and growth equity funds	—	—	183,507	183,507
Distressed debt and turnaround funds	—	—	48,309	48,309
Private real estate funds	—	—	60,511	60,511
Venture capital funds	—	—	25,383	25,383
Other private market funds	—	—	105,411	105,411
Commodities	—	5,009	—	5,009
Derivative contracts	—	9,650	—	9,650
Money market and other	7,056	235,416	—	242,472
Equity interest in par annuity	—	—	76,391	76,391
Guaranteed accumulation fund	—	—	38,630	38,630
Total	$ 439,661	605,563	1,094,699	2,139,923

The following tables presents the activity of the assets of the Organization's defined benefit plan for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2015 and 2014 (in thousands):

	Balance at June 30, 2014	Purchases	Settlements/ Withdrawls	Realized losses	Change in unrealized gains (losses)	Balance at June 30, 2015
Fund of hedge funds	$ 57,835	—	(5,500)	—	1,610	53,945
Global macro hedge funds	90,500	—	(2,749)	—	3,237	90,988
Hedged equity funds	167,721	65,000	(16,000)	—	23,716	240,437
Multistrategy and other hedge funds	240,501	2,450	(26,546)	—	7,156	223,561
Buyout and growth equity funds	183,507	16,176	(19,089)	(27)	(12,319)	168,248
Distressed debt and turnaround funds	48,309	7,221	(2,472)	(209)	(5,440)	47,409
Private real estate funds	60,511	4,889	(10,452)	—	4,796	59,744
Venture capital funds	25,383	1,746	(1,448)	—	(1,204)	24,477
Other private market funds	105,411	3,791	(8,273)	—	(9,125)	91,804
Equity interests in par annuity	76,391	—	—	—	(1,111)	75,280
Guaranteed accumulation fund	38,630	—	(7,064)	—	848	32,414
	$ 1,094,699	101,273	(99,593)	(236)	12,164	1,108,307

	Balance at June 30, 2013	Purchases	Settlements/ Withdrawls	Realized gains	Change in unrealized gains (losses)	Balance at June 30, 2014
Fund of hedge funds	$ 53,124	—	—	—	4,711	57,835
Global macro hedge funds	46,757	41,000	—	—	2,743	90,500
Hedged equity funds	145,939	—	—	—	21,782	167,721
Multistrategy and other hedge funds	181,661	101,816	(59,378)	2,033	14,369	240,501
Buyout and growth equity funds	148,879	18,474	(15,822)	4	31,972	183,507
Distressed debt and turnaround funds	40,385	18,258	(5,908)	—	(4,426)	48,309
Private real estate funds	65,175	6,194	(16,839)	—	5,981	60,511
Venture capital funds	22,268	2,473	(1,395)	—	2,037	25,383
Other private market funds	113,548	12,006	(5,728)	—	(14,415)	105,411
Equity interests in par annuity	65,173	—	—	—	11,218	76,391
Guaranteed accumulation fund	43,230	—	(6,800)	—	2,200	38,630
	$ 926,139	200,221	(111,870)	2,037	78,172	1,094,699

The Plan transacts in a variety of derivative instruments and contracts including both swaps and options for investment and hedging purposes in order to create or mitigate certain exposures. Each instrument's primary underlying exposure is interest rates, equities, commodities, or currencies. Such contracts involve, to varying degrees, risks of loss from the possible inability of counterparties to meet the terms of their contracts. Use of swaps partially mitigates counterparty risk. The Plan's derivatives are all transacted over-the-counter.

The Plan uses interest rate swaps and swaptions to hedge interest rate exposure for a portion of its liabilities. The liabilities are valued via a "discount rate" of investment grade corporate bonds. Uncertainty of future discount rates adds variability to Plan valuations and future cash flows. Interest rate swap and swaption agreements are derivative instruments used by the Plan to mitigate these uncertainties. The interest rate swap and swaption agreements are required to be marked to fair value on a recurring basis.

Commodity swap agreements are derivatives instruments used by the Plan to gain exposure to various underlying commodity futures. The commodity swaps are required to be marked to fair value on a recurring basis.

The Plan uses equity options for both investment purposes and to hedge equity market exposure. The plan uses options for the Euro Stoxx 50 to gain European market exposure. The plan also uses equity collar strategies to hedge S&P 500 market risk. All equity options are marked to fair value on a recurring basis.

The following table lists the notional/contractual amount of derivatives by contract type included in pension plan assets at June 30, 2015 and 2014 (in thousands):

Derivative type	2015	2014
Interest rate contracts	$ 1,844,000	1,515,000
Commodity contracts	—	46,800
Equity contracts	240,001	280,641

The following table lists fair value of derivatives by contract type included in pension plan assets as of June 30, 2015 and 2014 (in thousands):

	Asset derivatives		Liability derivatives	
Derivative type	**2015**	**2014**	**2015**	**2014**
Interest rate contracts	$ 63,338	22,687	73,398	16,168
Commodity contracts	—	748	—	—
Equity contracts	1,426	3,223	24	92
Fair value of derivatives included in pension plan assets	$ 64,764	26,658	73,422	16,260

The following table lists gains and losses on derivatives by contract type included in actual return on plan assets available for plan benefits as of June 30, 2015 and 2014 (in thousands):

Derivative type		Realized gains/(losses) 2015	Realized gains/(losses) 2014	Change in unrealized gains/(losses) 2015	Change in unrealized gains/(losses) 2014
Interest rate contracts	$	33,175	(13,971)	(15,065)	56,053
Commodity contracts		(404)	115	—	587
Equity contracts		(5,820)	(11,208)	521	2,290
Tail risk contracts		—	(7,456)	—	7,070
	$	26,951	(32,520)	(14,544)	66,000

For the valuation of the Plan’s derivative contracts at June 30, 2015, the Plan used significant other observable inputs as of the valuation date (Level 2), including prices of instruments with similar maturities and characteristics, interest rate yield curves, measures of interest rate volatility and various market indices. The value was determined and adjusted to reflect nonperformance risk of both the counterparty and the Plan. See note 8 for definitions of Levels 1, 2 and 3.

American National Red Cross Savings Plan – 401(k) Plan: The Organization sponsors the American Red Cross Savings Plan (the Savings Plan), a defined contribution plan. In general, employees are eligible to participate upon hire and vest in employer contributions on a 3 year cliff schedule. Employer contributions include Red Cross Match, Points-Based Employer Contribution, and Annual Red Cross Contribution. There were $63.6 million and $71.4 million in Red Cross employer contributions to the Savings Plan in 2015 and 2014, respectively.

Included in total employer contributions were $32.2 million and $36.9 million in Red Cross match to the Savings Plan in 2015 and 2014 respectively.

Eligible employees impacted by the freeze of the Plan were credited with the annual Point-Based Employer Contribution (based on a participants’ age and years of service as of June 30 each year) totaling $24.1 million and $27.4 million for the years ended June 30, 2015 and 2014, respectively.

Eligible employees not impacted by the freeze of the Retirement System were credited with the Annual Red Cross Contribution totaling $7.4 million and $7.1 million for the years ended June 30, 2015 and 2014, respectively.

For the 2015 calendar year, contribution limits were based on a maximum annual compensation of $265,000. As of June 30, 2015, there were 20 investment options that an employee could choose from and a self-managed brokerage account option.

(Continued)

(11) Receivables Securitization Program

The Organization has an asset securitization program. The program is structured to sell the eligible biomedical hospital account receivables, without legal recourse, to a third party investor, through a wholly owned bankruptcy-remote special purpose entity that is consolidated for financial reporting purposes. The Organization continues servicing the sold receivables. Proceeds received under the securitization program are treated as secured borrowings. The maximum amount of the agreement is $125 million and $150 million for the years ended June 30, 2015 and 2014, respectively, and the total cost of the program approximates the 30 day Libor plus 1.0%. At June 30, 2015 and 2014, the amount of outstanding borrowings under the securitization program was $120 million and $128 million, respectively, and is included in other liabilities on the statement of financial position.

(12) Commitments and Contingencies

Litigation: The Organization is a defendant in a number of lawsuits incidental to its operations. In the opinion of management, the outcome of such lawsuits will not have a materially adverse effect on the Organization's financial position.

Consent Decree: In April 2003, The American National Red Cross signed an amended consent decree (the Decree) with the United States Food and Drug Administration (FDA) affecting Biomedical Services and its blood services regional operations. The Decree requires compliance with specific standards on how the Organization will manage and monitor its Biomedical Services' operations and formalized management of compliance related issues and provides timelines for their resolution. The Decree subjects the Organization to potential monetary penalties if it fails to meet the compliance standards. The compliance penalty provisions cover two general areas: (1) penalties for violations of the Decree, including violation of the Food Drug and Cosmetic Act and FDA regulations; and (2) penalties for the release of unsuitable blood products. Potential penalty amounts are limited to one percent of gross annual revenues generated by Biomedical Services for products and services in the first year (April 15, 2003 through April 14, 2004) of the Decree. The limit is increased to two percent in the second year, three percent in the third year, and four percent starting in the fourth year and annually thereafter. It is the opinion of management that the consolidated financial statements reflect adequate accrual for potential penalties resulting from noncompliance with the requirements of the Decree.

Government Grants: Costs charged to the federal government under cost-reimbursement grants and contracts are subject to government audit. Therefore, all such costs are subject to adjustment. Management believes that adjustments, if any, would not have a significant effect on the consolidated financial statements.

Concentrations: A collective bargaining agreement was ratified in October 2015. The agreement covers approximately 15% of the Organizations employees and is effective through September 2018.

(13) Subsequent Events

The Organization has evaluated subsequent events through the date the consolidated financial statements were issued, October 28, 2015.