AAA Foundation for Traffic Safety

Financial Statements
December 31, 2015 and 2014

Contents

Independent Auditor's Report

To the Board of Trustees
AAA Foundation for Traffic Safety
Washington, DC

Report on the Financial Statements
We have audited the accompanying financial statements of AAA Foundation for Traffic Safety, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AAA Foundation for Traffic Safety as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

Other Matters – Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Orlando, Florida
May 4, 2016

AAA Foundation for Traffic Safety

Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	**$ 819,912**	$ 996,911
Investments, at fair value	**17,977,424**	18,188,966
Contributions and accounts receivable	**1,268,536**	310,088
Inventories	**49,340**	53,544
Prepaid expenses	**1,432**	1,326
Furniture and equipment, net	**17,820**	14,015
Total assets	**$ 20,134,464**	$ 19,564,850
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 2,708,976**	$ 1,500,285
Accrued pension and post retirement liability	**207,402**	193,643
Total liabilities	**2,916,378**	1,693,928
Commitments and Contingencies (Note 5)		
Net Assets		
Unrestricted:		
Undesignated	**3,345,970**	8,164,531
Board designated for endowment	**7,200,000**	3,030,000
Total unrestricted net assets	**10,545,970**	11,194,531
Temporarily restricted	**133,469**	137,744
Permanently restricted	**6,538,647**	6,538,647
Total net assets	**17,218,086**	17,870,922
Total liabilities and net assets	**$ 20,134,464**	$ 19,564,850

See Notes to Financial Statements.

AAA Foundation for Traffic Safety

Statements of Activities
Years Ended December 31, 2015 and 2014

	2015				2014			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support								
Contributions from AAA affiliated organizations and others	**$ 7,047,165**	**$ 1,349**	**$ -**	**$ 7,048,514**	$ 5,822,748	$ 3,347	$ -	$ 5,826,095
Sales of videos, guides and other	**37,857**	**-**	**-**	**37,857**	47,571	-	-	47,571
Investment (loss) income	**(411,520)**	**-**	**-**	**(411,520)**	693,495	-	-	693,495
Net assets released from restrictions	**5,624**	**(5,624)**	**-**	**-**	8,838	(8,838)	-	-
Total revenues and support	**6,679,126**	**(4,275)**	**-**	**6,674,851**	6,572,652	(5,491)	-	6,567,161
Expenses								
Program services:								
Research	**5,966,894**	**-**	**-**	**5,966,894**	4,349,839	-	-	4,349,839
Public education	**752,256**	**-**	**-**	**752,256**	736,145	-	-	736,145
Product costs	**94,810**	**-**	**-**	**94,810**	93,199	-	-	93,199
Total program services	**6,813,960**	**-**	**-**	**6,813,960**	5,179,183	-	-	5,179,183
Supporting services:								
General and administrative	**445,835**	**-**	**-**	**445,835**	486,212	-	-	486,212
Fundraising	**67,892**	**-**	**-**	**67,892**	90,583	-	-	90,583
Total supporting services	**513,727**	**-**	**-**	**513,727**	576,795	-	-	576,795
Total expenses	**7,327,687**	**-**	**-**	**7,327,687**	5,755,978	-	-	5,755,978
Change in net assets	**(648,561)**	**(4,275)**	**-**	**(652,836)**	816,674	(5,491)	-	811,183
Net Assets, beginning of year	**11,194,531**	**137,744**	**6,538,647**	**17,870,922**	10,377,857	143,235	6,538,647	17,059,739
Net Assets, end of year	**$ 10,545,970**	**$ 133,469**	**$ 6,538,647**	**$ 17,218,086**	$ 11,194,531	$ 137,744	$ 6,538,647	$ 17,870,922

See Notes to Financial Statements.

AAA Foundation for Traffic Safety

Statements of Cash Flows
Years Ended December 31, 2015 and 2014

		2015		2014
Cash Flows From Operating Activities				
Change in net assets	**$**	**(652,836)**	$	811,183
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		**8,099**		6,094
Realized (gains) losses on investments		**(88,354)**		115,785
Unrealized losses (gains) on investments		**882,738**		(239,955)
Changes in operating assets and liabilities:				
(Increase) decrease in assets:				
Contributions and accounts receivable		**(958,448)**		95,149
Inventories		**4,204**		409
Prepaid expenses		**(106)**		(476)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses		**1,208,691**		629,751
Accrued pension and post retirement liability		**13,759**		128,743
Net cash provided by operating activities		**417,747**		1,546,683
Cash Flows From Investing Activities				
Purchases of investments		**(1,598,033)**		(5,054,011)
Proceeds from sales of investments		**1,015,191**		3,984,697
Purchases of furniture and equipment		**(11,904)**		-
Net cash used in investing activities		**(594,746)**		(1,069,314)
Net (decrease) increase in cash and cash equivalents		**(176,999)**		477,369
Cash and Cash Equivalents:				
Beginning		**996,911**		519,542
Ending	**$**	**819,912**	$	996,911

See Notes to Financial Statements.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The AAA Foundation for Traffic Safety (the Foundation) was established in 1947 to prevent traffic deaths and injuries through research and education. The Foundation is a nonprofit 501(c)(3) charitable organization and is supported by voluntary contributions from the American Automobile Association (AAA), individual AAA members, AAA motor clubs, and from others.

A summary of the Foundation's significant accounting policies follows:

Basis of presentation: The accompanying financial statements have been prepared on the accrual basis of accounting. A not-for-profit organization is required to report information regarding its financial position and activities according to three classes on net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

> Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the Board of Trustees. In 2007, the Board of Trustees established a board designated endowment fund to set aside funds for future operations. As of December 31, 2015 and 2014, $7,200,000 and $3,030,000, respectively, was set aside by the Board of Trustees for this purpose.
>
> Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.
>
> Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be permanently maintained by the Foundation.

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

Income taxes: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under applicable income tax regulations of the District of Columbia. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements.

The Foundation follows accounting standards relating to accounting for uncertainty in income taxes. Management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements. The Foundation files income tax returns in the U.S. federal jurisdiction. Generally, the Foundation is no longer subject to U.S. federal income tax examinations by tax authorities for years before December 31, 2012.

Functional allocation of expenses: The cost of providing various programs and supporting services have been summarized on a functional basis in the statements of activities with related details reported in the Schedules of Program Services and Schedules of Supporting Services in the accompanying Supplementary Information. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

Cash and cash equivalents: The Foundation considers all highly-liquid instruments with original maturities of three months or less to be cash equivalents.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Investments and investment income: Investments are reported at fair value (see Note 2). Realized gains and losses are recorded at date of disposition based on the difference between the net proceeds received and the cost of the investment sold, using the specific identification method. Unrealized gains and losses are reported for the changes in fair value between reporting periods. Interest and dividend income is recognized when earned. Gains and losses on investments are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law.

Contributions and accounts receivable: Contributions and accounts receivable are unsecured and due under normal trade terms requiring payment within 30 days of the invoice date. Contributions and accounts receivable are stated at the amount billed. Account balances over 90 days are considered delinquent and, unless strong mitigating factors exist, an allowance for bad debts is established. At December 31, 2015 and 2014, there were no material accounts in delinquent status, therefore, no allowance for doubtful accounts was deemed necessary.

Inventories: Inventories consist of videos, tapes, and guides and are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

Furniture and equipment: Furniture and equipment are recorded at cost, if purchased, or at fair value on the date received, if donated. The Foundation capitalizes all furniture, equipment and automobiles with a value in excess of $1,500. Depreciation of furniture and equipment is computed using the straight-line method of accounting over the estimated useful lives of the assets, which range from 3 to 10 years.

Contributions: Contributions are recorded at fair value. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenue. The Foundation receives voluntary contributions, a significant portion of which come from the American Automobile Association (AAA), AAA motor clubs, CAA motor clubs and individual AAA club members.

The Foundation receives in-kind contributions for investment management and broker fees for investments held at Prime, Buchholz & Associates, Inc. The Foundation has recorded the fair value of these fees of $40,000 as contribution revenue and within program and general and administrative expenses in the accompanying statements of activities for the years ended December 31, 2015 and 2014.

The Foundation receives in-kind contributions from AAA for office space and administrative services as presented in the table below. The Foundation has recorded the fair value of the in-kind services as contribution revenue and within program and general and administrative expenses in the accompanying statements of activities for the years ended December 31, 2015 and 2014, as follows:

	2015	2014
Office space	$ 237,648	$ 242,200
Accounting	57,800	56,000
Public affairs	360,000	327,000
Corporate counsel	36,000	36,000
Information security	7,400	7,400
Human resources	4,104	6,200
Internal audit	25,000	33,000
Other	10,968	6,947
Total in-kind contributions from AAA	$ 738,920	$ 714,747

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Recent accounting pronouncements: The Financial Accounting Standards Board has issued certain new or modifications to, or interpretations of, existing accounting guidance. The Foundation has considered the new un-adopted guidance and does not believe that any other new or modified guidance will have a material impact on the Foundation's reported financial position or activities in the near term.

Subsequent events: The financial statements have been evaluated by management for subsequent events requiring disclosure through May 4, 2016, the date the financial statements were available for issuance.

Note 2. Investments and Fair Value Measurements

The fair value of investments at December 31, 2015 and 2014, are summarized as follows:

	2015	2014
Debt securities:		
U.S. government corporations and agencies	$ 12,320	$ 12,297
Total marketable debt securities	12,320	12,297
Marketable equity securities:		
Mutual funds – U.S. equities	7,275,852	7,300,769
Mutual funds – foreign securities	3,625,624	3,880,944
Mutual funds – global fixed income	2,642,337	2,662,361
Mutual funds – real return	2,458,365	2,479,197
Private investment fund	1,962,926	1,853,398
Total marketable equity securities	17,965,104	18,176,669
Total investments	$ 17,977,424	$ 18,188,966

Investment (loss) income for the years ended December 31, 2015 and 2014, consisted of the following:

	2015	2014
Interest and dividend income	$ 382,864	$ 569,325
Realized gains (losses)	88,354	(115,785)
Unrealized (losses) gains	(882,738)	239,955
Investment (loss) income	$ (411,520)	$ 693,495

The Foundation follows accounting standards relating to fair value measurements which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards relating to fair value measurements establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Note 2. Investments and Fair Value Measurements (Continued)

Investments recorded at fair value in the accompanying statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by this guidance, are as follows:

Level 1	Quoted prices for identical instruments in active markets.
Level 2	Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
Level 3	Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Following is a description of the valuation methodologies used for assets reported at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Level 1	Shares of registered investment companies (mutual funds) are based on the quoted market price of the fund, which represents the net asset value of shares held by the Foundation at year end. Registered investment companies include money market funds, corporate bond and fixed income mutual funds, and equity mutual funds.
Level 2	The private investment fund consists of an investment in Drake Capital Offshore Partners II, L.P. (the Partnership) which is a Cayman Islands exempted limited partnership operating as a private investment partnership. The fair value is determined using the net asset value (NAV) per share as a practical expedient. The Partnership is a “feeder fund” in a master-feeder structure that invests all of its assets in a “master fund”, Drake Capital Partners II, L.P. (the Master Fund). The performance of the Partnership is entirely dependent on the performance of the Master Fund, which invests in a portfolio of hedge funds. The Partnership records its investment in the Master Fund at fair value, which represents the Partnership’s share in the partners’ capital of the Master Fund. The Partnership/Master Fund’s manager, Drake, has retained SS&C as administrator for the Funds. In this capacity, SS&C maintains the official books and records of the Funds. SS&C independently computes monthly Fund NAVs based on their independent receipt of manager-level performance reports/NAVs and capital account statements for the Master Fund’s investment in each fund. Drake’s accounting team runs parallel accounting records, and Drake and SS&C reconcile any discrepancies at least monthly, prior to releasing Fund performance estimates and the monthly investor NAVs. Limited partners receive audited financial statements annually and unaudited performance reports quarterly during the year. Since the Foundation has the ability to redeem its investment annually with a 90 day notice period, the investment is classified as Level 2.
Level 3	Not applicable.

Note 2. Investments and Fair Value Measurements (Continued)

The following table sets forth by class, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of December 31, 2015 and 2014:

	2015			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. government corporations and agencies	$ 12,320	$ 12,320	$ -	$ -
Total marketable debt securities	12,320	12,320	-	-
Marketable equity securities:				
Mutual funds – U.S. equities	7,275,852	7,275,852	-	-
Mutual funds – foreign securities	3,625,624	3,625,624	-	-
Mutual funds – global fixed income	2,642,337	2,642,337	-	-
Mutual funds – real return	2,458,365	2,458,365	-	-
Private investment fund	1,962,926	-	1,962,926	-
Total marketable equity securities	17,965,104	16,002,178	1,962,926	-
Total investments	$ 17,977,424	$ 16,014,498	$ 1,962,926	$ -

	2014			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. government corporations and agencies	$ 12,297	$ 12,297	$ -	$ -
Total marketable debt securities	12,297	12,297	-	-
Marketable equity securities:				
Mutual funds – U.S. equities	7,300,769	7,300,769	-	-
Mutual funds – foreign securities	3,880,944	3,880,944	-	-
Mutual funds – global fixed income	2,662,361	2,662,361	-	-
Mutual funds – real return	2,479,197	2,479,197	-	-
Private investment fund	1,853,398	-	-	1,853,398
Total marketable equity securities	18,176,669	16,323,271	-	1,853,398
Total investments	$ 18,188,966	$ 16,335,568	$ -	$ 1,853,398

Note 2. Investments and Fair Value Measurements (Continued)

The following table sets forth a summary of the changes in the fair value of the Foundation's Level 3 investment during the years ended December 31, 2015 and 2014:

	2015 Private Investment Fund	2014 Private Investment Fund
Balance at beginning of year	$ 1,853,398	$ 1,763,001
Unrealized gains	109,528	90,397
Transfer to Level 2 investments	(1,962,926)	-
Balance at end of year	$ -	$ 1,853,398

Total unrealized gains reported above are included in investment (loss) income on the statements of activities for the year ended December 31, 2014. The amount of the unrealized gains related to its Level 3 investment held at December 31, 2014 was $90,397.

Changes in fair value levels: The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The significance of transfers between levels is evaluated based upon the nature of the financial instruments and size of the transfer relative to total net assets available. For the year ended December 31, 2015, the Foundation reevaluated the liquidity of its investment in the private investment fund and their underlying investments. As a result, the Foundation concluded that this investment is redeemable within the near term and should be classified as a Level 2 investment. As such, the Foundation transferred $1,962,926 to Level 2 investments as of December 31, 2015.

The following table sets forth additional disclosures of the Foundation's alternative investment whose fair value is estimated using net asset value per share (or its equivalent) as of December 31, 2015 and 2014:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
December 31, 2015				
Private investment fund (a)	$ 1,962,926	$ -	Annually, semi-annually	90 days
December 31, 2014				
Private investment fund (a)	$ 1,853,398	$ -	Annually, semi-annually	90 days

a) Private investment fund includes the Drake Capital Offshore Partners II, L.P. The Partnership's investment objective is to achieve attractive risk-adjusted capital growth with a low long-term correlation to major market indices by investing in a portfolio of hedge funds or managed accounts. The Partnership's manager believes that the opportunity exists to outperform the broad markets over time and generate consistent absolute returns by actively managing a well-constructed, diversified portfolio of high caliber hedge fund managers. A limited partner has the right, upon 90 days' prior written notice, to withdraw: (1) up to 25% of its capital account as of each June 30 and (2) all or any portion of its capital account as of each December 31, provided that each investment by such limited partner (plus or minus any net capital appreciation or depreciation on such investment) may not be withdrawn unless 12 months have elapsed since the date of such investment.

Note 3. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, investments, and contributions and accounts receivable. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, subject to regulation. The Foundation's cash balances are placed with high credit quality, federally insured institutions. The Foundation has not experienced any losses in such accounts and believes it is not exposed to significant credit risk as a result of its cash investment policies.

Note 4. Furniture and Equipment

Furniture and equipment at December 31, 2015 and 2014, are summarized as follows:

	2015	2014
Furniture and equipment	$ 202,699	$ 190,795
Automobile	28,000	28,000
	230,699	218,795
Less accumulated depreciation	(212,879)	(204,780)
Furniture and equipment, net	$ 17,820	$ 14,015

Depreciation expense for the years ended December 31, 2015 and 2014, was $8,099 and $6,094, respectively.

Note 5. Retirement and Post-Retirement Benefit Plans

Pension Plan

Substantially all employees of the Foundation are covered under the American Automobile Association's noncontributory defined benefit retirement plan (the Plan). Under this arrangement, AAA and the Foundation have the same benefit plan design, but each organization is responsible for its own funding. The benefits under the pension plan are based on years of service and employee compensation levels. The Foundation's funding policy is to make the minimum annual contribution required by applicable laws and regulations. In 2015 and 2014, the Foundation made no contributions to the Plan. As of December 31, 2009, the Foundation decided to curtail the Plan and restrict participation to current participants only, and existing participants will not accrue any additional benefits.

During 2014, the Foundation offered a voluntary lump-sum pension payout to eligible former employees that, if accepted, would settle the obligation to them. Based upon the acceptance of that offer by certain employees, $9,323 was paid from plan assets during the year ended December 31, 2014. Pension settlement charges were not recognized after determining the lump-sum pension payments did not exceed the annual interest and service costs of the pension plan. The Foundation settled $21,402 of its December 31, 2014 pension obligation, resulting in a liability gain of $12,079.

The pension plan was amended, effective January 1, 2015, to update the definition of actuarial equivalence. The effect of this plan change was an increase in the benefit obligation by $5,842 and the creation of a prior service cost base as of December 31, 2014.

Note 5. Retirement and Post-Retirement Benefit Plans (Continued)

The following table presents a reconciliation of the beginning and ending balances of the benefit obligation, fair value of plan assets and the funded status of the pension plan to the net amounts measured and recognized in the statements of financial position at December 31, 2015 and 2014:

	2015	2014
Accumulated benefit obligation at end of year	$ 1,283,098	$ 1,376,107
Change in projected benefit obligation:		
Projected benefit obligation, beginning of year	$ 1,376,107	$ 1,198,494
Interest cost	54,532	57,251
Plan amendments	-	5,842
Actuarial (gain) loss	(75,818)	193,171
Benefits paid	(71,723)	(78,651)
Projected benefit obligation, end of year	1,283,098	1,376,107
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	1,220,079	1,164,961
Actual return on plan assets	(32,471)	133,769
Benefits paid	(71,723)	(78,651)
Fair value of plan assets, end of year	1,115,885	1,220,079
Unfunded status at end of year	$ (167,213)	$ (156,028)

	2015	2014
Projected benefit obligation	$ 1,283,098	$ 1,376,107
Fair value of plan assets	1,115,885	1,220,079
Unfunded status at end of year	$ (167,213)	$ (156,028)

Amounts recognized in the statements of financial position at December 31, 2015 and 2014:

	2015	2014
Pension liability	$ 167,213	$ 156,028

Amounts recognized in the statements of activities at December 31, 2015 and 2014:

	2015	2014
Net loss	$ 18,281	$ 118,560
Prior service cost	-	5,842
Amortization of prior service cost (credit)	(2,527)	(1,951)
Amortization of recognition of net gain	(21,114)	(12,130)
Net periodic benefit cost	16,545	12,174
Total	$ 11,185	$ 122,495

Note 5. Retirement and Post-Retirement Benefit Plans (Continued)

The following assumptions were used in accounting for the pension plan:

	2015	2014
Weighted average assumptions used to determine pension benefit obligations at December 31:		
Discount rate	4.47%	4.06%
Rate of compensation increase	N/A	N/A
Weighted average assumptions used to determine net periodic pension benefit costs at December 31:		
Discount rate	4.06%	4.91%
Expected return on plan assets	5.50%	5.50%
Rate of compensation increase	N/A	N/A

The expected rate of return on pension plan assets is determined by those assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

The target allocations for plan assets are 27% equity securities, 54% corporate bonds, and 19% other for the years ended December 31, 2015 and 2014.

The fair values of the Foundation's pension plan assets by class are as follows:

	2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity securities:				
U.S. large-cap equity	$ 145,838	$ -	$ -	$ 145,838
U.S. small/mid-cap equity	54,554	-	-	54,554
International equity	79,034	-	-	79,034
Fixed income and cash equivalents:				
Long-term high quality bond fund	-	663,532	-	663,532
Cash equivalents	-	5,482	-	5,482
Real return investment fund	35,621	19,296	-	54,917
Absolute return investment fund	112,528	-	-	112,528
Total	$ 427,575	$ 688,310	$ -	$ 1,115,885

Note 5. Retirement and Post-Retirement Benefit Plans (Continued)

	2014			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity securities:				
U.S. large-cap equity	$ 226,679	$ -	$ -	$ 226,679
U.S. small/mid-cap equity	17,207	-	-	17,207
International equity	74,509	-	-	74,509
Fixed income and cash equivalents:				
Long-term high quality bond fund	28,962	644,813	-	673,775
Cash equivalents	-	21,610	-	21,610
Real return investment fund	40,941	22,014	-	62,955
Absolute return investment fund	95,600	47,744	-	143,344
Total	$ 483,898	$ 736,181	$ -	$ 1,220,079

The following retirement and post-retirement benefits are expected to be paid:

Year Ending December 31,	Pension	Post Retirement
2016	$ 81,173	$ 1,325
2017	78,696	1,938
2018	76,407	3,178
2019	73,735	3,197
2020	85,366	3,527
Thereafter	421,185	14,954

Post-retirement benefit plan: Employees hired prior to January 1, 2002 are covered under the American Automobile Association's contributory defined benefit postretirement plan (the Retirement Plan) that provides certain health care and life insurance benefits for retired employees. All of the Foundation's employees who retire under the provisions of the Retirement Plan are eligible for those benefits. The Retirement Plan is funded on a pay-as-you-go basis.

Significant assumptions used in the actuarial computation for 2015 and 2014, are shown on page 14:

	2015	2014
Funded (deficit) status	$ (40,189)	$ (37,615)

The Foundation expects to contribute $1,325 to the post-retirement plan in 2016.

Note 5. Retirement and Post-Retirement Benefit Plans (Continued)

403(b) Thrift Plan

The Foundation has a defined contribution pension plan in which the Foundation matches employees' contributions. There is no minimum age requirement to participate in the plan, and there is no minimum service requirement to make salary reduction contributions. After one year of service, employees are eligible to receive employer matching contributions on employee deferrals up to 6% of total compensation. The Foundation also provides a base contribution of 4% to all current employees who actively participate in the plan. Employees are partially vested after three years of service and fully vested after five years of service with respect to the employer's contributions. Employees are immediately vested with respect to the employee's contributions. The Foundation's contributions to this plan were $64,764 and $73,648 during the years ended December 31, 2015 and 2014, respectively.

Note 6. Net Assets

Temporarily restricted net assets at December 31, 2015 and 2014, were $133,469 and $137,744, respectively. Permanently restricted net assets were $6,538,647 at December 31, 2015 and 2014. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Temporarily restricted net assets at December 31, 2015 and 2014, are available for research and public education. As of December 31, 2015 and 2014, net assets of $5,624 and $8,838, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Note 7. Endowment Funds

Permanently restricted net assets at December 31, 2015 and 2014, consist of an endowment fund. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Foundation indefinitely. Income from the fund may be expended to fund the Foundation's operations and program expenses in accordance with a Board approved spending rate policy. As required by accounting principles generally accepted in the United States of America, 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 Trustees of the Foundation has interpreted the 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 funds 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 accumulation is added to the fund. If applicable, 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 Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA.

Note 7. Endowment Funds (Continued)

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 spending policies of the Foundation; and
- The Foundation's investment policies.

Investment 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. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to preserve capital, obtain growth from capital appreciation, and receive total annual returns that exceed the appropriate market index rate of return by between .5% in large cap equities and 1% in small, mid, and international equities.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the investment strategy is to emphasize total return in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation’s current asset allocation for the endowment funds targets a composition of 40.5% domestic equities, 14.3% non-U.S. equities, 5.9% emerging equities, 14.7% bond funds, 13.7% inflation hedging, and 10.9% flexible capital (hedge) fund. The Investment Advisory Committee, in coordination with the Foundation’s Treasurer and President, shall monitor financial progress against the investment policy targets and make asset allocation decisions as required.

Endowment spending policy: Investment income generated by the endowment fund each year may be expended to fund the Foundation’s operations and program expenses in accordance with a Board approved spending rate policy.

Endowment composition: The composition and changes in endowment net assets for the years ended December 31, 2015 and 2014, are as follows:

	2015	2014
Net assets, permanently restricted for endowment, January 1	$ 6,538,647	$ 6,538,647
Investment (loss) income	(143,443)	248,828
Amounts appropriated from (to) unrestricted net assets	143,443	(248,828)
Net assets, permanently restricted for endowment, December 31	$ 6,538,647	$ 6,538,647

AAA Foundation for Traffic Safety

Schedules of Program Services
Years Ended December 31, 2015 and 2014

	2015	2014
Research:		
Senior Prospective Cohort	**$ 2,549,244**	$ 1,716,665
Cognitive Distraction Phase IV	**689,500**	-
Exposure Study	**375,000**	378,787
Drowsiness and Distraction Risk	**221,140**	-
Sr. Driving Check-Ups	**178,164**	-
Westat – Accelerating Driving Expertise	**144,000**	-
Cannabis – Washington	**138,347**	61,485
Safety Culture Study	**125,245**	65,000
Driver Assistance Technology	**112,041**	-
Accelerating Teen Driver Learning	**104,179**	-
Teen DriveCam/Cell Study	**100,500**	-
MI Older Novice GDL	**85,332**	-
Extending Graduated Driver Licensing (NC/CA/NJ)	**80,211**	44,829
Atkins-Safety Defects Scoping Study	**75,000**	-
Cognitive Distraction Phase IIIA	**50,000**	305,470
Cognitive Distraction Phase III	**30,000**	446,949
Cannabis DRE	**15,114**	72,439
Brookings Recession Driving Study	**15,000**	33,917
CT Learner Requirement	**14,250**	-
General Research	**13,057**	29,338
Drugged Drivers Data Barriers	**13,008**	-
Crash Causation	**-**	161,243
Traffic Safety Culture Index (States)	**-**	153,057
Expanding usRAP	**-**	41,656
Roadwise Online	**-**	12,500
MIT Technology Matrix	**-**	9,966
Cognitive Distraction Phase IIA	**-**	5,000
Cognitive Distraction Phase II	**-**	1,405
Enforcement Studies	**-**	210
Subtotal	**5,128,332**	3,539,916
Allocation of general and administrative expenses	**838,562**	809,923
Total	**$ 5,966,894**	$ 4,349,839
Public Education:		
Project outreach	**$ 6,458**	$ 10,676
General outreach	**38,135**	21,967
Contribution expense	**10,500**	9,000
Public education and giveaways	**24**	4,141
Subtotal	**55,117**	45,784
Allocation of general and administrative expenses	**697,139**	690,361
Total	**$ 752,256**	$ 736,145
Product Costs		
Videos	**$ 35,039**	$ 33,025
Bad debt	**143**	110
Subtotal	**35,182**	33,135
Allocation of general and administrative expenses	**59,628**	60,064
Total	**$ 94,810**	$ 93,199

AAA Foundation for Traffic Safety

Schedules of Supporting Services
Years Ended December 31, 2015 and 2014

	2015	2014
General and Administrative		
Salaries	**$ 885,881**	$ 856,345
Miscellaneous in-kind expenses	**378,372**	344,047
Office rent	**237,648**	242,200
Employee fringe benefits	**150,722**	173,069
Legal services	**86,453**	37,100
Accounting	**62,355**	60,428
Payroll taxes	**54,382**	54,381
Investment management	**50,000**	50,000
External and internal auditing	**44,992**	52,936
Travel and meetings – committee	**44,678**	23,391
Travel and meetings – staff	**30,428**	36,580
Pension and post retirement expense	**13,759**	128,743
Travel and meetings – board	**9,131**	6,787
Depreciation	**8,099**	6,094
Stationery and office supplies	**6,515**	3,669
Dues and subscriptions	**5,862**	5,261
Telephone	**5,814**	6,529
Consultant fees	**5,000**	-
Postage and delivery	**4,193**	5,119
Training	**3,267**	2,625
Computer supplies and services	**2,678**	-
Equipment – repairs and maintenance	**1,098**	685
Auto operating expenses	**429**	2,160
Subtotal	**2,091,756**	2,098,149
Allocation of general and administrative expenses	**(1,645,921)**	(1,611,937)
Total	**$ 445,835**	$ 486,212
Fundraising:		
Fundraising:	**$ 17,300**	$ 33,549
Charitable golf outing	**-**	5,445
Subtotal	**17,300**	38,994
Allocation of general and administrative expenses	**50,592**	51,589
Total	**$ 67,892**	$ 90,583