Keep America Beautiful, Inc.

Financial Statements as of and for the
Years Ended December 31, 2015 and 2014,
and Independent Auditors' Report

KEEP AMERICA BEAUTIFUL, INC.

TABLE OF CONTENTS

Deloitte.

Deloitte & Touche LLP
695 East Main Street
Stamford, CT 06901-2141
USA

Tel: +1 203 708 4000
Fax: +1 203 708 4797
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Keep America Beautiful, Inc.:

We have audited the accompanying financial statements of Keep America Beautiful, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses 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.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

May 25, 2016

KEEP AMERICA BEAUTIFUL, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
CASH AND CASH EQUIVALENTS	$ 2,711,527	$ 2,660,930
INVESTMENTS (Note 10)	3,828,752	4,724,089
CONTRIBUTIONS AND OTHER RECEIVABLES (Note 5)	1,237,024	702,141
PREPAID EXPENSES AND OTHER ASSETS	145,987	188,843
FIXED ASSETS—Net of accumulated depreciation (Note 6)	161,107	36,836
TOTAL	$ 8,084,397	$ 8,312,839
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 745,890	$ 475,167
Deferred income grants (Note 8)	332,370	348,227
Total liabilities	1,078,260	823,394
NET ASSETS:		
Unrestricted	4,201,973	4,269,929
Temporarily restricted (Note 11)	2,804,164	3,219,516
Total net assets	7,006,137	7,489,445
TOTAL	$ 8,084,397	$ 8,312,839

See notes to financial statements.

KEEP AMERICA BEAUTIFUL, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
UNRESTRICTED REVENUES AND SUPPORT:		
Contributions and grants	$ 2,754,093	$ 2,979,579
Benefit dinner—net of expenses of $298,349 and $319,442 in 2015 and 2014, respectively	466,372	403,008
Fees (Note 3)	420,555	706,810
Publication sales	19,214	16,963
Royalties	3,226	8,631
Investment income	89,332	258,055
Unrealized gain (loss) on investments	31,734	(60,589)
National and other conferences	268,897	268,868
In-kind support	5,000	
Other income	56,106	121,787
Net assets released from restrictions (Note 12)	3,666,652	4,475,950
Total unrestricted revenues and support	7,781,181	9,179,062
EXPENSES:		
Program services:		
Communication and public education	361,282	285,195
Program and field training services	6,083,573	7,087,491
Total program services	6,444,855	7,372,686
Supporting services:		
Management and general	914,128	995,756
Fundraising	490,154	485,234
Total supporting services	1,404,282	1,480,990
Total expenses	7,849,137	8,853,676
(DEFICIT) EXCESS OF TOTAL UNRESTRICTED REVENUES AND SUPPORT OVER TOTAL EXPENSES	(67,956)	325,386
UNRESTRICTED NET ASSETS—Beginning of year	4,269,929	3,944,543
UNRESTRICTED NET ASSETS—End of year	$ 4,201,973	$ 4,269,929
GIFTS AND GRANTS RESTRICTED FOR FUTURE PERIODS	$ 3,251,300	$ 4,143,907
NET ASSETS RELEASED FROM RESTRICTIONS (Note 12)	(3,666,652)	(4,475,950)
DECREASE IN RESTRICTED NET ASSETS	(415,352)	(332,043)
RESTRICTED NET ASSETS—Beginning of year	3,219,516	3,551,559
RESTRICTED NET ASSETS—End of year	$ 2,804,164	$ 3,219,516
DECREASE IN TOTAL NET ASSETS	$ (483,308)	$ (6,657)

See notes to financial statements.

KEEP AMERICA BEAUTIFUL, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	$ (483,308)	$ (6,657)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	18,329	29,700
Donated securities		(5,089)
Realized loss (gain) on investments	17,622	(178,256)
Unrealized (gain) loss on investments	(31,734)	60,589
(Increase) decrease in contributions and other receivables	(534,883)	729,300
Decrease in prepaid expenses and other assets	42,856	73,041
Increase in accounts payable and accrued expenses	270,723	41,770
(Decrease) increase in deferred income grants	(15,857)	268,694
Decrease in deferred compensation		(14,583)
Net cash (used in) provided by operating activities	(716,252)	998,509
CASH FLOWS FROM INVESTING ACTIVITY:		
Purchases of securities	(1,553,296)	(2,829,677)
Proceeds from sales of securities	2,462,745	1,523,057
Purchases of fixed assets	(142,600)	(13,633)
Net cash provided by (used in) investing activities	766,849	(1,320,253)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	50,597	(321,744)
CASH AND CASH EQUIVALENTS—Beginning of year	2,660,930	2,982,674
CASH AND CASH EQUIVALENTS—End of year	$ 2,711,527	$ 2,660,930

See notes to financial statements.

KEEP AMERICA BEAUTIFUL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Communications and Public Education	Program and Field Training Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 147,592	$ 334,744	$ 482,336	$ 499,113	$ 290,815	$ 789,928	$ 1,272,264
Payroll taxes	10,963	21,583	32,546	37,417	19,451	56,868	89,414
Employee benefits	32,069	76,771	108,840	104,086	47,611	151,697	260,537
Rent and services	22,612	227,841	250,453	41,462	32,890	74,352	324,805
Stationery and supplies	899	1,991	2,890	4,325	1,257	5,582	8,472
Postage	669	3,712	4,381	1,907	1,137	3,044	7,425
Telephone	1,674	7,438	9,112	8,210	2,435	10,645	19,757
Computer systems	20,173	15,257	35,430	15,706	11,786	27,492	62,922
Dues and subscriptions	5,788	24,634	30,422	16,158	13,634	29,792	60,214
Communications	31,088	18,870	49,958	238	3,200	3,438	53,396
Equipment leases	2,493	5,572	8,065	4,563	3,614	8,177	16,242
Meetings and conferences	1,812	205	2,017	19,185	980	20,165	22,182
Affiliate certification		34,569	34,569				34,569
Travel	9,180	42,343	51,523	25,405	30,346	55,751	107,274
Professional fees	6,617	14,837	21,454	20,239	11,261	31,500	52,954
Consultants	38,881	10,284	49,165	53,952	4,679	58,631	107,796
Programs	20,128	5,189,291	5,209,419		8,883	8,883	5,218,302
Printing	3,750	32,274	36,024	47	237	284	36,308
Miscellaneous	3,684	9,166	12,850	58,947	4,178	63,125	75,975
Depreciation	1,210	12,191	13,401	3,168	1,760	4,928	18,329
Subtotal	$ 361,282	$ 6,083,573	$ 6,444,855	$ 914,128	$ 490,154	$ 1,404,282	7,849,137
Benefit dinner expenses							298,349
Total							$ 8,147,486

See notes to financial statements.

KEEP AMERICA BEAUTIFUL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Communications and Public Education	Program and Field Training Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 100,106	$ 347,266	$ 447,372	$ 567,230	$ 262,516	$ 829,746	$ 1,277,118
Payroll taxes	8,043	24,982	33,025	37,235	18,828	56,063	89,088
Employee benefits	21,550	79,842	101,392	89,812	59,298	149,110	250,502
Rent and services	16,790	233,177	249,967	37,924	49,945	87,869	337,836
Stationery and supplies	1,291	3,267	4,558	3,685	2,604	6,289	10,847
Postage	556	8,113	8,669	3,727	967	4,694	13,363
Telephone	1,380	9,034	10,414	7,130	4,006	11,136	21,550
Computer systems	7,687	14,497	22,184	13,250	10,908	24,158	46,342
Dues and subscriptions	3,615	24,830	28,445	17,999	3,221	21,220	49,665
Communications	32,588	48,205	80,793		4,383	4,383	85,176
Equipment leases	1,903	6,248	8,151	4,269	5,502	9,771	17,922
Meetings and conferences	6	4,108	4,114	18,711		18,711	22,825
Affiliate certification		52,738	52,738				52,738
Travel	5,237	45,678	50,915	25,394	20,478	45,872	96,787
Professional fees	4,674	19,172	23,846	17,781	11,495	29,276	53,122
Consultants	70,298	16,718	87,016	85,644	9,020	94,664	181,680
Programs	1,020	6,098,319	6,099,339	145	11,421	11,566	6,110,905
Printing	5,049	16,813	21,862	104	244	348	22,210
Miscellaneous	1,961	11,232	13,193	62,476	6,181	68,657	81,850
Depreciation	1,441	23,252	24,693	3,240	4,217	7,457	32,150
Subtotal	$ 285,195	$ 7,087,491	$ 7,372,686	$ 995,756	$ 485,234	$ 1,480,990	8,853,676
Benefit dinner expenses							319,442
Total							$ 9,173,118

See notes to financial statements.

1. ORGANIZATION AND PURPOSE

Keep America Beautiful, Inc. (the "Organization" or KAB) is a nonprofit organization whose network of local, statewide, and international affiliate programs educates individuals about litter prevention and ways to reduce, reuse, recycle, and properly manage waste materials. KAB's mission is to engage individuals in taking greater responsibility for improving their community environments. Through partnerships and strategic alliances with citizens, businesses, and government, KAB programs involve millions of volunteers annually to clean up, beautify, and improve their neighborhoods, thereby creating healthier, safer, and more livable community environments.

The local affiliates are separate nonprofit entities and/or agencies of local governments that are not controlled by KAB and, therefore, their financial position, changes in net assets, and cash flows are not included in the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The financial statements of KAB have been prepared on the accrual basis of accounting in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification, which is the source of authoritative accounting principles in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of KAB and changes therein are classified and reported as follows:

Unrestricted Net Assets—Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets—Net assets subject to donor-imposed stipulations that will be met either by actions of KAB and/or the passage of time.

KAB reports gifts of cash and other assets as temporarily restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts received with donor restrictions that are spent in the year received in accordance with those restrictions are reflected as unrestricted contributions.

Functional Allocation of Expenses—KAB allocates its expenses on a functional basis among its various program and supporting services. Expenses that are common to several functions are allocated by various statistical benchmarks. KAB's program services are described as follows:

Communication and Public Education—This program increases KAB's recognition and visibility as a national organization that advances its educational purposes by creating greater public awareness of its mission goals and objectives. It also provides information and materials designed to encourage and guide more positive individual behaviors toward community environments.

Program and Field Training Services—These core program activities support the national effort to enlist and train new state and local affiliate organizations to participate in KAB mission-related community improvement activities. The program develops materials, methods, and tools that enable affiliates and individual citizens to implement sustainable community improvement projects.

Programs—Activities pertaining to the use of restricted gifts, the Great American Cleanup (GAC) and America Recycles Day (ARD) are reflected in the statements of functional expenses in the line item programs.

Cash Equivalents—For purposes of reporting cash flows, cash equivalents are defined as money market funds, overnight deposits, treasury bills, and other instruments with original term to maturity of less than three months at the date of purchase. Cash equivalents are carried at fair value.

Pledges—Pledges are recorded at the net present value, determined using a discount rate commensurate with the rate on US Treasury bills whose maturities correspond to the maturities of the pledges, as receivables in the year made. Restricted pledges are reported as additions to the appropriate restricted net assets. GAC and ARD sponsorship pledges are considered contingent promises to give that are contingent on the Organization holding the GAC or ARD event and, therefore, the promise to give is recognized when the event is held, regardless of when the pledge is made.

The Organization considers any individual donor that contributes more than 10% of total revenue to be significant. The Organization received 39% and 60% of the gifts and grants restricted for future periods from two and four donors during the years ended December 31, 2015 and 2014, respectively. There is no concentration of the unrestricted revenue and support during 2015 and 2014.

Fixed Assets—Fixed assets purchased are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets with a range of three to ten years.

Use of Estimates—The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

In-Kind Support—KAB recognizes noncash gifts to the Organization as income at fair value in the period in which they are received. The Organization also records an offsetting expense at the same time to record the use of the gift. The Organization recognized $5,000 and $0 of in-kind support during 2015 and 2014, respectively.

Investments—In accordance with GAAP, KAB values its investments based on a fair value hierarchy. Fair value is the amount 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 (i.e., the exit price). See Note 10, Investments, for further discussion relating to the Organization's investments. Management values the investments with the assistance of an investment advisor based on quoted market prices and/or broker quotes. Debt securities that are not publicly traded or whose market prices are not readily available are valued at fair value utilizing recognized pricing services.

Investments are reflected on the statements of financial position at fair value with changes in unrealized gains and losses resulting from changes in fair value reflected in the statements of activities as unrealized gain (loss) on investments.

Investments in equity securities, corporate and municipal bonds, and mutual funds that are publicly traded investments are reported at the market closing price. These investment transactions are recorded on a trade-date basis.

Dividend income and expense are recorded on the ex-dividend date, net of applicable withholding taxes.

Realized gains and losses on investment transactions are determined on the specific-identification basis and are recorded as investment income in the statements of activities.

Market and Credit Risk—In the normal course of business, the Organization encounters market and credit risk concentrations. Market risk reflects changes in the value of investments due to changes in interest rates, credit spreads, or other market factors. Credit risk includes the risk of default on the Organization's investments, where the counterparty is unable or unwilling to make required or expected payments.

Income Taxes—The Organization follows the FASB's guidance on uncertain tax positions that may require financial statement recognition. The Organization analyzed its tax filing positions in all jurisdictions required to file tax returns, as well as open tax years in these jurisdictions. Based on this review, no reserves for uncertain tax positions were required to have been recorded in accordance with GAAP in either 2015 or 2014. In addition, the Organization determined that it did not need to record any tax-related interest or penalties in either year. KAB will continue to review the relevant authoritative guidance as such relates to its financial statements and conclusions reached regarding uncertain tax positions, which may be subject to review and adjustment at a later date based on ongoing analyses of tax laws, regulations, and interpretations thereof. To the extent that the assessment of the conclusions reached regarding uncertain tax positions changes, such change in estimate will be recorded in the period in which such determination is made.

Recent Accounting Pronouncements—In May 2014, the FASB issued guidance to establish a comprehensive and converged standard on revenue recognition to enable financial statement users to better understand and consistently analyze an entity's revenue. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August, 2015, the FASB issued its final standard formally amending the effective date of the new revenue recognition standard. The amended guidance defers the effective date to annual reporting periods in fiscal years beginning after December 15, 2018. The Organization is in the process of evaluating the impact that this guidance may have on its financial statements.

In January 2016, the FASB issued its new standard on accounting for leases, ASU 2016-02. The new standard address the off-balance-sheet financing accounting related to lessees' operating leases and introduces a lessee model that brings most leases on the balance sheet. The guidance is effective for calendar periods beginning January 1, 2020. The Organization is in the process of evaluating the impact that this guidance may have on its financial statements.

In April 2015, the FASB issued a proposed ASU that would significantly change the existing presentation requirements for financial statements of not-for-profit entities (NFPs). The proposal is intended to improve the current requirements for net asset classification as well as the information presented in the financial statements and notes to the financial statements regarding liquidity, financial performance, and cash flows for NFPs. The FASB has yet to finalize the standard and determine the effective date of the standard. The standard is to be applied on a retrospective basis. The Organization is in the process of evaluating the impact that this guidance may have on its financial statements.

3. FEES

To establish a new KAB affiliate, KAB trains local organizational teams, distributes KAB system programs, precertification and certification manuals, and visits the communities during the first year of a program implementation. For these items and services, KAB charges the joining affiliate a certification fee based on its population. Certification fees were $30,000 and $54,600 for the years ended December 31, 2015 and 2014, respectively. Once an affiliate is certified, KAB monitors and counsels the affiliate, provides it with various program materials, and sponsors national and regional training conferences for which KAB charges the certified affiliate an annual program service fee also based on population. Program service fees were $118,825 and $116,575 for the years ended December 31, 2015 and 2014, respectively. Program administrative fees were $265,000 and $524,550 for the years ended December 31, 2015 and 2014, respectively. In addition, the Organization received $6,730 and $11,085 of state recycling organization fees for the years ended December 31, 2015 and 2014, respectively.

4. CASH AND CASH EQUIVALENTS

KAB considers any investment with an original maturity of three months or less at the date of purchase to be cash and cash equivalents. The cash and cash equivalents balance as of December 31, 2015 and 2014, is made up of the following:

	2015	2014
Checking accounts	$ 1,751,156	$ 878,677
Money market fund—sustainability fund (Note 10)	481,699	477,960
Money market fund	478,672	1,304,293
Total	$ 2,711,527	$ 2,660,930

5. CONTRIBUTIONS AND OTHER RECEIVABLES

Receivables of $1,087,024 and $702,141 at December 31, 2015 and 2014, respectively, are due within the year. As of December 31, 2015, $150,000 was due within two years, as part of a three-year pledge made by a donor during 2015. During the years ended December 31, 2015 and 2014, the Organization did not record any bad debt expense.

6. FIXED ASSETS

Fixed assets at December 31, 2015 and 2014, consist of the following:

	2015	2014
Furniture, fixtures, and computer equipment	$ 485,543	$ 355,450
Less accumulated depreciation	(324,436)	(318,614)
Fixed assets—net of accumulated depreciation	$ 161,107	$ 36,836

7. LEASE COMMITMENT

During 2009, KAB amended its previous lease agreement and entered into a 10-year lease for new space in the same building for their Stamford, Connecticut headquarters. The amended lease is effective through 2019. Rent expense related to this lease was $233,700 and $233,700 for the years ended December 31, 2015 and 2014, respectively. The rent agreement provides for reduced rent in the early years and an escalation in the later years. The Organization in accordance with GAAP recognizes the rent expense on a straight-line basis. Therefore, the Organization has accrued a deferred rent liability of $33,825 and $36,900 at December 31, 2015 and 2014, respectively, which is included in accounts payable and accrued expenses in the statements of financial position.

As part of the amendment of the lease agreement, KAB paid $125,000 as an additional rental payment. This amount was paid during 2009 and is being amortized over the 10-year life of the lease. The unamortized balance of $43,750 and $56,250 is included in prepaid expenses and other assets at December 31, 2015 and 2014, respectively.

During 2010, KAB entered into a sublease agreement for office space in Washington, DC, for a second office. The lease ended during 2015. Rent expense related to this lease was $32,397 and $64,793 for the years ended December 31, 2015 and 2014, respectively. The rent agreement provides for reduced rent in the early years and an escalation in the later years. The Organization in accordance with GAAP recognizes the rent expense on a straight-line basis. Therefore, the Organization has accrued a deferred rent liability of $3,700 at December 31, 2014, which is included in accounts payable and accrued expenses in the statements of financial position.

During 2015, KAB entered into a sublease agreement for different office space in Washington, DC, to replace the expired lease. The lease runs through 2017. Rent expense related to this lease was $13,770 for the year ended December 31, 2015.

The projected minimum rental commitment under the Organization’s two leases as of December 31, 2015, is as follows:

Years Ending December 31	
2016	$ 267,781
2017	257,085
2018	246,000
2019	123,000
Total	$ 893,866

KAB leases three copy machines and a postage meter under separate operating lease agreements. The minimum commitments under these leases are as follows:

Years Ending December 31	
2016	$ 20,519
2017	5,514
Total	$ 26,033

8. DEFERRED INCOME GRANTS

During 2015 and 2014, KAB received registration fees of $82,370 and $98,227, respectively, for the National Conference which was held in January of the following year. As of December 31, 2015 and 2014, the fees were recorded as deferred income on the statements of financial position, as the fees were contingent on the occurrence of the National Conference.

During 2015 and 2014, KAB received a contribution from a sponsor of $250,000 earmarked specifically and conditionally upon the GAC program to be held during 2016 and 2015, respectively. If the program is not held, the funds must be returned to the donor. This contribution is included in deferred income on the statements of financial position. During 2015, KAB recognized $250,000 as contribution revenue when the GAC was held.

9. EMPLOYEE BENEFIT PLANS

Defined Contribution Plan—A qualified 403(b) defined contribution pension plan was adopted for all employees on April 30, 2001. Participants may make voluntary contributions to the plan, not to exceed the limitations prescribed by the Internal Revenue Code (IRC). Under the plan, the Organization makes semimonthly elections to match a portion of employees' contribution up to 5%. The Organization's contribution to the plan was $88,791 and $80,057 for the years ended December 31, 2015 and 2014, respectively.

10. INVESTMENTS

As of December 31, 2015, the Organization's total investments of $3,828,752 consist of $2,595,874 in the KAB Sustainability Fund (the "Fund") and $1,232,878 in other investment holdings. As of December 31, 2014, the Organization's total investments of $4,724,089 consist of $2,534,229 in the KAB Sustainability Fund (the "Fund") and $2,189,860 in other investment holdings.

KAB Sustainability Fund—In 2006, KAB's Board established a quasi endowment to be known as the Fund. The purpose of the Fund is to help ensure the long-term continuity of KAB and its future ability to carry out its charitable mission. The Fund is administered by the executive committee of the Board in accordance with policies adopted by the Board. As the Fund is Board designated, the amounts are included in unrestricted net assets. All interest and dividend earnings are reinvested into the Fund as they are earned.

At December 31, 2015 and 2014, the Fund consists of the following:

	2015	2014
Cash and cash equivalents	$ 481,699	$ 477,960
Investments at fair value	2,595,874	2,534,229
Total	$ 3,077,573	$ 3,012,189

Investments within the Fund are made up of the following:

Type	2015 Fair Value	Cost	Unrealized Gain (Loss)
Exchange-traded equities	$ 1,694,637	$ 1,071,571	$ 623,066
Fixed-income mutual funds	541,978	553,760	(11,782)
Exchange-traded mutual funds	359,259	342,752	16,507
Total	$ 2,595,874	$ 1,968,083	$ 627,791

Type	2014 Fair Value	Cost	Unrealized Gain (Loss)
Exchange-traded equities	$ 1,544,727	$ 987,939	$ 556,788
Fixed-income mutual funds	636,219	640,763	(4,544)
Exchange-traded mutual funds	353,283	307,176	46,107
Total	$ 2,534,229	$ 1,935,878	$ 598,351

The Organization has additional investments that are held in a separate account from the Fund and are not restricted. The investments are made up of the following:

Type	2015 Fair Value	Cost	Unrealized Loss
Fixed-income mutual funds	$ 769,191	$ 772,478	$ (3,287)
Municipal bonds	463,687	464,044	(357)
Total	$ 1,232,878	$ 1,236,522	$ (3,644)

Type	2014 Fair Value	Cost	Unrealized Loss
Fixed-income mutual funds	$ 1,520,490	$ 1,525,100	$ (4,610)
Municipal bonds	163,906	164,098	(192)
Corporate bonds	505,464	506,600	(1,136)
Total	$ 2,189,860	$ 2,195,798	$ (5,938)

During 2015 and 2014, realized (losses) gains of ($17,622) and $178,256, respectively, were incurred as a result of sales of investments and are presented within investment income within the statements of activities.

For the years ended December 31, 2015 and 2014, included in miscellaneous expense in the statements of functional expenses is $37,161 and $36,078, respectively, related to the management of the investment accounts, which reduced the balances of the accounts.

Fair Value Measurements—Accounting standards require enhanced disclosures about investments that are measured and reported at fair value. A hierarchal disclosure framework has been established, which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I—Quoted prices (unadjusted) are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed mutual funds. The Organization does not adjust the quoted price for these investments, even in situations where KAB holds a large position and a sale could reasonably affect the quoted price.

Level II—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and municipal bonds, less liquid and restricted equity securities where the fair value is based on observable inputs.

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. 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 investment.

The levels in the fair value hierarchy that the Organization's investments fall into as of December 31, 2015 and 2014, are as follows:

Type	**Total**	**Level I**	**Level II**	**Level III**
Exchange-traded equities	$ 1,694,637	$ 1,694,637	$ -	$ -
Fixed-income mutual funds	1,311,169	1,311,169		
Exchange-traded mutual funds	359,259	359,259		
Municipal bonds	463,687		463,687	
Total as of December 31, 2015	$ 3,828,752	$ 3,365,065	$ 463,687	$ -

Type	**Total**	**Level I**	**Level II**	**Level III**
Exchange-traded equities	$ 1,544,727	$ 1,544,727	$ -	$ -
Fixed-income mutual funds	2,156,709	2,156,709		
Exchange-traded mutual funds	353,283	353,283		
Corporate bonds	505,464	505,464		
Municipal bonds	163,906		163,906	
Total as of December 31, 2014	$ 4,724,089	$ 4,560,183	$ 163,906	$ -

The municipal bonds that are Level II investments are valued through a pricing service based on broker quotes whose valuation models is generally based on yields, maturity dates, and volatility.

As discussed in Note 4, *Cash and Cash Equivalents*, KAB has $960,371 and $1,782,253 as of December 31, 2015 and 2014, respectively, in money market funds that are also considered to be Level I.

There were no transfers between Level I and II, and the Organization held no Level III investments during the years ended December 31, 2015 and 2014.

11. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2015 and 2014, temporarily restricted net assets are composed of the following:

	2015	2014
Purpose restrictions:		
Cigarette Litter Prevention Program 2016	$ 380,000	$ -
Litter Research	352,760	235,000
America Recycles Day	250,000	
UPS	215,451	200,000
Ad Council Recycling Program	200,000	372,298
Recyclemania	189,205	87,297
Digital Refresh	157,785	152,500
Wrigley Litter Prevention	153,345	264,626
Nestle Recycling	150,000	
Cigarette Litter Prevention Program 2015	140,558	640,000
National Conference	106,300	157,205
Recyclemania Cycle 2	77,017	17,024
Affiliate Development	56,281	65,000
Dr. Pepper	87,959	67,959
Bud Light Disaster Relief Grants	51,119	50,000
Coca Cola Chicago	41,474	44,794
Vision Dinner	35,000	
Waste Management Communities	32,475	35,000
Litter Prevention and Recycling Campaign	32,217	46,718
Lowes Grants	28,828	110,837
Community Foundation for the National Capital Region	10,029	10,000
State Fair	10,000	8,135
Coca Cola/KAB Public Space Recycling Program	9,026	300,941
Harmony Paint Program	7,888	18,832
H.O. Peet Internship Scholarships	6,368	13,319
Pass-through Grants	2,500	2,500
Coca Cola/KAB College Recycling Program	12,867	12,945
Pepsi Research Grant	5,000	15,647
Alcoa Grant Programs	2,712	25,407
Cigarette Litter Prevention Program 2014		109,578
Cigarette Litter Prevention Program Canada		59,011
Blight Study		31,709
Alcoa/KAB Bin Grant Program		29,093
Resource Guide		20,000
Great American Cleanup Affiliate Grants		6,200
Community Greening		5,250
Littering is Wrong Too Campaign		1,953
Business Pledge		1,119
California Affiliate Marketing		1,040
Collegiate Summit		304
McKenna Internship Fund		275
	$ 2,804,164	$ 3,219,516

12. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets as of December 31, 2015 and 2014, were released from donor-imposed restrictions by the incurrence of expenses in the following programs:

	2015	2014
Lowes Grants	$ 832,009	$ 766,163
Cigarette Litter Prevention Program 2015	609,020	
Ad Council Recycling Program	372,304	400,835
Waste Management Communities	302,526	222,251
Coca Cola/KAB Public Space Recycling Program	291,915	188,219
Dr. Pepper	260,000	232,341
UPS	184,548	241,731
National Conference	157,205	147,000
Wrigley Litter Prevention	111,281	164,472
Recyclemania	73,092	43,351
Digital Refresh	69,714	122,501
Recyclemania Cycle 2	65,007	22,341
Cigarette Litter Prevention Program Canada	59,011	38,845
Litter Prevention and Recycling Campaign	44,501	75,415
Bud Light Disaster Relief	48,881	
Blight Study	31,709	30,000
Alcoa/KAB Bin Grant Program	29,093	22,098
Aloca Grant Programs	22,695	17,579
Resource Guide	20,000	
Harmony Paint Program	10,944	81,168
Pepsi Research Grant	10,647	82,353
Community Fund for the National Capital Region	9,971	
Affiliate Development	8,714	
State Fair	8,135	35,391
Litter Research	7,240	
H.O. Peet Internship Scholarships	7,226	1,681
Great American Cleanup Affiliate Grants	6,200	117,800
Community Greening	5,250	24,750
Coca Cola Chicago	3,320	511,206
Littering is Wrong Too Campaign	1,953	32,631
Business Pledge	1,119	41,491
California Affiliate Marketing	1,040	2,159
Collegiate Summit	304	
Coca Cola/KAB College Recycling Program	78	126,843
Cigarette Litter Prevention Program 2014		575,422
Cigarette Litter Prevention Program 2013		52,107
Vision Dinner		20,000
MillerCoors		10,000
Sherwin Williams Graffiti Hurts		9,664
McKenna Internship Fund		6,682
Give & Go 2014		5,000
California Smokeless Tobacco		4,460
	$ 3,666,652	$ 4,475,950

13. TAX-EXEMPT STATUS

KAB has received a favorable letter of determination from the Internal Revenue Service dated October 31, 1955, and is therefore tax-exempt under Section 501(c)(3) of the IRC of 1996. In addition, based on a determination letter dated October 20, 1970, KAB has not been classified as a private foundation under Section 509(a) of the IRC. Since the date of these letters, no changes have occurred in the form, purpose, or activities of KAB that would adversely affect its tax-exempt status or classification under the provisions of the IRC.

14. SUBSEQUENT EVENTS

Management has evaluated all subsequent events or transactions for potential recognition or disclosure through May 25, 2016, the date these financial statements were available to be issued. As a result of the Organization's evaluation, except as noted, there were no subsequent events noted that require adjustment to, or disclosure in, these financial statements.

* * * * * *