THE AMERICAN NATIONAL RED CROSS

Audit of Federal Awards Performed in Accordance with
U.S. Office of Management and Budget Circular A-133

June 30, 2014

(With Independent Auditors' Reports Thereon)

THE AMERICAN NATIONAL RED CROSS

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KPMG LLP
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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, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2014, 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.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

Report on Summarized Comparative Information

We have previously audited The American National Red Cross 2013 consolidated financial statements, and expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 23, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

KPMG LLP

October 29, 2014

THE AMERICAN NATIONAL RED CROSS

Consolidated Statement of Financial Position

June 30, 2014
(with comparative information as of June 30, 2013)
(In thousands)

Assets	**2014**	**2013**
Current assets:		
Cash and cash equivalents	$ 46,976	$ 82,721
Investments (Note 8)	521,485	618,139
Trade receivables, including grants, net of allowance for doubtful accounts of $4,463 in 2014 and $6,963 in 2013 (Note 11)	190,528	233,089
Contributions receivable, net (Note 2)	83,830	80,303
Inventories, net of allowance for obsolescence of $3,832 in 2014 and $4,714 in 2013	108,979	112,950
Other current assets	16,798	23,230
Total current assets	968,596	1,150,432
Investments (Note 8)	1,553,756	1,466,762
Contributions receivable, net (Note 2)	11,981	12,205
Land, buildings, and other property, net (Note 3)	995,695	1,018,454
Other assets (Note 9)	261,615	250,982
Total assets	3,791,643	3,898,835
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	280,869	325,810
Current portion of debt (Note 4)	18,532	18,236
Postretirement benefits (Note 10)	3,807	3,734
Other current liabilities (Notes 9 and 11)	132,228	154,398
Total current liabilities	435,436	502,178
Debt (Note 4)	727,221	695,755
Pension and postretirement benefits (Note 10)	520,029	554,645
Other liabilities (Notes 4 and 9)	148,199	156,200
Total liabilities	1,830,885	1,908,778
Net assets (Notes 6 and 7):		
Unrestricted net assets	339,577	398,444
Temporarily restricted net assets	857,420	861,605
Permanently restricted net assets	763,761	730,008
Total net assets	1,960,758	1,990,057
Commitments and contingencies (Notes 4, 5, 8, 10, 11, 12)		
Total liabilities and net assets	$ 3,791,643	$ 3,898,835

See accompanying notes to the consolidated financial statements.

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Consolidated Statement of Activities

Year ended June 30, 2014
(with summarized information for the year ended June 30, 2013)
(In thousands)

		Temporarily	Permanently	Totals	
	Unrestricted	**Restricted**	**Restricted**	**2014**	**2013**
Operating revenues and gains:					
Contributions:					
Corporate, foundation and individual giving	$ 236,470	$ 273,629	$ -	$ 510,099	$ 830,998
United Way and other federated	25,857	77,882	-	103,739	95,530
Legacies and bequests	55,156	10,271	20,814	86,241	96,224
Services and materials	12,198	10,780	-	22,978	54,502
Products and services:					
Biomedical	1,889,790	-	-	1,889,790	2,037,732
Program materials	129,455	-	-	129,455	125,153
Contracts, including federal government	73,933	-	-	73,933	73,132
Investment income (Note 8)	53,367	32,471	-	85,838	48,697
Other revenues	86,620	446	-	87,066	73,973
Net assets released from restrictions	481,430	(481,430)	-	-	-
Total operating revenues and gains	3,044,276	(75,951)	20,814	2,989,139	3,435,941
Operating expenses:					
Program services:					
Services to the Armed Forces	46,173	-	-	46,173	56,645
Biomedical services (Note 12)	1,979,894	-	-	1,979,894	2,164,815
Community services	49,458	-	-	49,458	57,200
Domestic disaster services	364,074	-	-	364,074	467,245
Health and safety services	196,125	-	-	196,125	216,222
International relief and development services	127,385	-	-	127,385	92,742
Total program services	2,763,109	-	-	2,763,109	3,054,869
Supporting services:					
Fund raising	183,224	-	-	183,224	189,431
Management and general	115,899	-	-	115,899	136,283
Total supporting services	299,123	-	-	299,123	325,714
Total operating expenses	3,062,232	-	-	3,062,232	3,380,583
Change in net assets from operations	(17,956)	(75,951)	20,814	(73,093)	55,358
Nonoperating gains (losses) (Notes 5 and 8)	12,235	71,766	12,939	96,940	92,181
Pension-related changes other than net periodic benefit cost (Note 10)	(53,146)	-	-	(53,146)	247,295
	-	-	-	-	-
Change in net assets	(58,867)	(4,185)	33,753	(29,299)	394,834
Net assets, beginning of year	398,444	861,605	730,008	1,990,057	1,595,223
Net assets, end of year	$ 339,577	$ 857,420	$ 763,761	$ 1,960,758	$ 1,990,057

See accompanying notes to the consolidated financial statements.

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Statement of Functional Expenses

Year ended June 30, 2014
(with summarized information for the year ended June 30, 2013)
(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	$ 25,267	$ 886,080	$ 19,245	$ 98,119	$ 80,546	$ 20,891	$ 1,130,148
Employee benefits	6,267	219,777	4,773	24,337	19,978	5,182	280,314
Subtotal	31,534	1,105,857	24,018	122,456	100,524	26,073	1,410,462
Travel and maintenance	1,530	31,192	701	17,428	7,301	5,003	63,155
Equipment maintenance and rental	355	61,301	2,439	10,856	2,025	1,350	78,326
Supplies and materials	1,409	462,548	6,425	8,044	11,761	1,227	491,414
Contractual services	8,104	276,215	9,267	61,399	66,342	8,957	430,284
Financial and material assistance	2,224	2,990	4,698	132,466	2,565	84,110	229,053
Depreciation and amortization	1,017	39,791	1,910	11,425	5,607	665	60,415
Total expenses	$ 46,173	$ 1,979,894	$ 49,458	$ 364,074	$ 196,125	$ 127,385	$ 2,763,109

	Supporting Services			Total Expenses	
	Fund Raising	Management and General	Total Supporting Services	2014	2013
Salaries and wages	$ 91,446	$ 46,115	$ 137,561	$ 1,267,709	$ 1,333,519
Employee benefits	22,682	11,438	34,120	314,434	443,467
Subtotal	114,128	57,553	171,681	1,582,143	1,776,986
Travel and maintenance	5,643	2,776	8,419	71,574	117,546
Equipment maintenance and rental	856	1,333	2,189	80,515	102,303
Supplies and materials	3,676	376	4,052	495,466	512,356
Contractual services	55,514	51,101	106,615	536,899	561,639
Financial and material assistance	646	299	945	229,998	246,548
Depreciation and amortization	2,761	2,461	5,222	65,637	63,205
Total expenses	$ 183,224	$ 115,899	$ 299,123	$ 3,062,232	$ 3,380,583

See accompanying notes to the consolidated financial statements.

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Consolidated Statement of Cash Flows

Year ended June 30, 2014
(with comparative information for the year ended June 30, 2013)
(In thousands)

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ (29,299)	$ 394,834
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	65,637	63,205
Provision for doubtful accounts and contributions receivable	1,246	1,195
Provision (recovery) for obsolete inventory	(882)	610
Net gain on sales of property	(6,683)	(4,965)
Net investment and derivative gain	(119,682)	(86,778)
Pension and postretirement related changes other than net periodic benefit costs	53,146	(247,295)
Permanently restricted contributions	(20,814)	(22,011)
Changes in operating assets and liabilities:		
Receivables	38,012	(24,234)
Inventories	4,853	316
Other assets	(4,201)	(106)
Accounts payable and accrued expenses	(44,941)	44,798
Other liabilities	(31,165)	(27,943)
Pension and postretirement benefits	(87,689)	(199,953)
Net cash used in operating activities	(182,462)	(108,327)
Cash flows from investing activities:		
Purchases of property	(53,305)	(39,035)
Proceeds from sales of property	17,110	13,134
Purchases of investments	(145,237)	(320,896)
Proceeds from sales of investments	275,573	302,296
Net cash provided by (used in) investing activities	94,141	(44,501)
Cash flows from financing activities:		
Permanently restricted contributions	20,814	22,011
Proceeds from borrowings	50,000	175,000
Repayments of debt	(18,238)	(14,367)
Net cash provided by financing activities	52,576	182,644
Net (decrease)/increase in cash and cash equivalents	(35,745)	29,816
Cash and cash equivalents, beginning of year	82,721	52,905
Cash and cash equivalents, end of year	$ 46,976	$ 82,721
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 26,937	$ 17,903
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 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, four 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, 2013 from which the summarized information was derived.

(Continued)

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 $25 million and $66 million as of June 30, 2014 and 2013, 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, 2014. 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. The separately managed endowment fund accumulates realized gains and losses on security transactions, which are available to meet current expenses to the extent approved by the Board of Governors. Amounts annually available for expenditure are based on the Board of Governors’ approved spending rate using the total-return method.

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, as stated in the bylaws of the Organization and because of public declarations as to their intended use, gifts to The American National Red Cross national headquarters under wills, trusts, and similar instruments which do not direct some other use of such funds are recorded as permanently restricted endowment funds to be kept and invested in perpetuity. Based upon the manner in which the Organization has solicited and continues to solicit such gifts, it has been determined by independent legal counsel that such gifts must be placed in the endowment fund and, accordingly, reported as permanently restricted net assets.

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 $99 million and $104 million as of June 30, 2014 and 2013, 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, 2014 and 2013 of approximately $6 million and $13 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, 2014 and 2013, 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, 2014 and 2013 (in thousands):

		2014	2013
Amounts receivable within one year	$	89,663	82,390
Amounts receivable in 1 to 5 years (net of discount of $251 and $601 for 2014 and 2013, respectively)		11,981	12,205
Total contributions receivable before allowance for uncollectible amounts		101,644	94,595
Less allowance for uncollectible amounts		(5,833)	(2,087)
Contributions receivable, net		95,811	92,508
Less current portion		83,830	80,303
Contributions receivable, net, noncurrent	$	11,981	12,205

Amounts presented above have been discounted to present value using various discount rates ranging between 0.11% and 2.53%.

(3) Land, Buildings, and Other Property

The cost and accumulated depreciation of land, buildings, and other property were as follows at June 30, 2014 and 2013 (in thousands):

		2014	2013
Land	$	123,561	118,199
Buildings and improvements		1,158,088	1,152,054
Equipment and software		708,913	712,042
Buildings and equipment under capital lease		1,787	1,787
Total cost of assets placed in service		1,992,349	1,984,082
Less accumulated depreciation and amortization		(1,014,215)	(985,284)
Construction-in-progress		17,561	19,656
Land, buildings, and other property, net	$	995,695	1,018,454

(4) Debt

Debt consists of the following at June 30, 2014 and 2013 (in thousands):

		2014	2013
Fixed rate debt:			
Bearing interest rates ranging from 1.30% to 5.85%, due calendar year 2014 through 2036	$	508,343	459,505
Variable rate debt:			
Bearing interest rates ranging from 0.02% to 0.82%, due calendar year 2014 through 2034:			
Variable rate debt with demand repayment rights		187,308	194,295
Variable rate debt without demand repayment rights		50,000	60,000
Total bonds and notes payable		745,651	713,800
Obligations under capital leases (note 5)		102	191
Total debt		745,753	713,991
Less current portion		18,532	18,236
Debt, noncurrent portion	$	727,221	695,755

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 $204 million and $217 million for fiscal years 2014 and 2013, respectively, to provide liquidity in the event other funding is not available for repurchasing. As of June 30, 2014, the maturity dates for these liquidity facilities are from calendar year 2014 through 2016. Approximately $94 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.

Certain of the Organization's debt agreements include covenants that require the Organization to maintain certain levels of financial ratios. Management believes the Organization was in compliance with its covenant requirements as of and for the year ended June 30, 2014.

Scheduled maturities and sinking fund requirements of the debt and credit agreements as of June 30, 2014 are as follows (in thousands):

2015	$	18,532
2016		17,180
2017		31,666
2018		42,173
2019		40,489
Thereafter		595,713
	$	745,753

The carrying value and estimated fair value of the Organization's noncurrent debt as of June 30, 2014 and 2013 are summarized as follows (in thousands):

		2014		**2013**	
		Carrying value	**Fair value Level 2**	**Carrying value**	**Fair value Level 2**
Noncurrent debt	$	727,221	762,519	695,755	723,795

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 $34 million and $25 million for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, there were no borrowings outstanding under lines of credit. The Organization had unused lines of credit outstanding of approximately $340 million and $215 million at June 30, 2014 and 2013, respectively. 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 $237 million and $254 million at June 30, 2014 and 2013, 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, 2014, the aggregate notional principal amount under the interest rate swap agreements, with maturity dates ranging from calendar year 2014 through 2021, totaled $105 million. At June 30, 2013, the aggregate notional principal amount under the interest rate swap agreements, with maturity dates ranging from 2013 through 2021, totaled $118 million. The estimated fair value of the interest rate swap agreements was a liability of approximately $7 million and $8 million, respectively, and is included in other liabilities in the accompanying consolidated statements of financial position as of June 30, 2014 and 2013.

The change in fair value on these interest rate swap agreements was a gain of approximately $1 million and $4 million for the years ended June 30, 2014 and 2013, respectively, and is included in nonoperating gains in the consolidated statements of activities.

The following table represents the interest rate swap liabilities that are measured at fair value on a recurring basis at June 30, 2014 and 2013 (in thousands):

	Fair value measurements		
	Level 1	Level 2	Level 3
Interest rate swap liabilities at June 30, 2014	$ —	6,657	—
Interest rate swap liabilities at June 30, 2013	—	7,852	—

For the valuation of the interest rate swap at June 30, 2014 and 2013, 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 $52 million and $60 million at June 30, 2014 and 2013, respectively.

(5) Leases

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

	Operating	Capital
2015	$ 23,684	98
2016	19,605	1
2017	16,163	1
2018	12,275	1
2019	8,275	1
Thereafter	39,707	8
Total minimum lease payments	$ 119,709	110
Less amounts representing interest		(8)
Present value of net minimum lease payments (note 4)		$ 102

Total rent expense was approximately $52 million and $48 million for the years ended June 30, 2014 and 2013, respectively, and is included in contractual services on the consolidated statement of functional expenses.

Future minimum rental payments to be received by the Organization for office space leased at the National Headquarters building as of June 30, 2014, are as follows (in thousands):

2015	$ 13,616
2016	13,754
2017	13,895
2018	14,040
2019	14,189
Thereafter	14,342
Total minimum lease payments to be received	$ 83,836

Total rental income was approximately $13 million for both years ended June 30, 2014 and 2013, respectively, and is included in other revenues on the consolidated statement of activities.

(6) Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2014 and 2013 (in thousands):

		2014	2013
Disaster services	$	92,430	169,197
Biomedical services		334	541
Health and safety services		2,383	1,215
International relief and development services		260,037	259,651
Community services		3,087	3,318
Buildings and equipment		7,105	8,412
Endowment inflation adjustment reserve		200,024	187,200
Endowment assets available for future appropriation		200,756	142,277
Other specific purposes		25,902	27,868
Time restricted		65,362	61,926
Total temporarily restricted net assets	$	857,420	861,605

Permanently restricted net assets at June 30, 2014 and 2013 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 3.9% for year 2014 and 3.8% for year 2013 of the trailing five-year market value was applied to each unit of the endowment fund and resulted in total distributions of approximately $32 million and $31 million for the years ended June 30, 2014 and 2013, respectively. Approximately $24 million and $26 million of the amounts represent utilization of accumulated realized gains, for the years ended June 30, 2014 and 2013, respectively. A spending rate of approximately 3.8% of the trailing five-year market value has been approved for 2015.

Net asset classification by type of endowment as of June 30, 2014, is as follows (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

Net asset classification by type of endowment as of June 30, 2013 (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	—	329,477	561,835	891,312

Changes in endowment net assets for the year ended June 30, 2013 (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	—	285,468	542,602	828,070
Investment return:					
Investment income		—	31,343	—	31,343
Net appreciation (net realized and unrealized gains/losses)		—	44,009	—	44,009
Total investment return		—	75,352	—	75,352
Contributions		—	—	19,233	19,233
Appropriation of endowment assets for expenditure		—	(31,343)	—	(31,343)
Endowment net assets, end of year	$	—	329,477	561,835	891,312

(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, 2014 and 2013, 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, 2014 and 2013 (in thousands):

	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

	June 30, 2013	Level 1	Level 2	Level 3
U.S. government securities	$ 203,755	12,889	190,866	—
Corporate and foreign sovereign bonds and notes	194,849	28,190	166,659	—
Common and preferred stocks	359,441	299,285	60,156	—
Mortgage-backed assets	9,656	—	9,656	—
Other asset-backed assets	400	—	—	400
Fund of hedge funds	42,092	—	—	42,092
Global macro hedge funds	32,434	—	—	32,434
Hedged equity funds	203,224	—	—	203,224
Multistrategy and other hedge funds	115,400	—	—	115,400
Buyout and growth equity funds	124,279	—	—	124,279
Distressed debt and turnaround funds	34,336	—	—	34,336
Private real estate funds	38,605	—	—	38,605
Venture capital funds	12,673	—	—	12,673
Other private market funds	33,793	—	—	33,793
Commodities	4,209	—	4,209	—
Derivative contracts	(595)	—	(595)	—
Money market and other	676,350	5,336	671,014	—
Total investments	$ 2,084,901	345,700	1,101,965	637,236

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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013 (in thousands):

	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

	Balance at June 30, 2012	Purchases	Settlements	Realized gains (losses)	Change in unrealized gains (losses)	Balance at June 30, 2013
Other asset backed securities	$ 354	—	—	—	46	400
Fund of hedge funds	58,095	—	(22,641)	—	6,638	42,092
Global macro hedge funds	30,227	—	(544)	9	2,742	32,434
Hedged equity funds	166,766	1,829	(4,692)	1,023	38,298	203,224
Multistrategy and other hedge funds	64,584	48,870	(6,579)	852	7,673	115,400
Buyout and growth equity funds	117,128	18,680	(20,715)	9,425	(239)	124,279
Distressed debt and turnaround funds	45,497	4,586	(22,201)	1,039	5,415	34,336
Private real estate funds	33,438	6,673	(3,177)	379	1,292	38,605
Venture capital funds	15,124	692	(3,180)	2,701	(2,664)	12,673
Other private market funds	28,281	8,654	(3,481)	1,549	(1,210)	33,793
	$ 559,494	89,984	(87,210)	16,977	57,991	637,236

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, 2014 (in thousands):

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Fund of hedge funds (a)	$ 68,409	—	annually	100 days
Global macro hedge funds (b)	64,094	—	monthly, quarterly, annually	5-90 days
Hedged equity funds (c)	185,986	—	quarterly, annually	45–90 days
Multistrategy and other hedge funds (d)	135,768	—	monthly, quarterly, annually, bi-annually	10–90 days
Buyout and growth equity funds (e)	140,179	42,507	None	—
Distressed debt and turnaround funds (f)	37,800	8,900	None	—
Private real estate funds (g)	39,439	18,910	None	—
Venture capital funds (h)	13,493	4,093	None	—
Other private market funds (i)	34,509	15,645	None	—
Public equity commingled funds (j)	59,158	—	weekly, monthly	1–30 days
Fixed income commingled funds (k)	145,766	—	weekly, monthly	1–30 days
Total	$ 924,601	90,055		

(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. The time at which these segregated investments will be liquidated is unknown.

(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.

(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, 2014 and 2013 (in thousands):

Derivative type		2014	2013
Commodity contracts	$	23,100	21,500
Equity contracts		284,327	30,000

The following table lists fair value of derivatives by contract type included in investments as of June 30, 2014 and 2013 (in thousands):

		Asset derivatives		Liability derivatives	
Derivative type		**2014**	**2013**	**2014**	**2013**
Commodity contracts	$	335	165	—	97
Equity contracts		4,534	—	99	663
Fair value of derivatives included in investments	$	4,869	165	99	760

The following table lists gains and losses on derivatives by contract type included in investment income as of June 30, 2014 and 2013 (in thousands):

Derivative type		Realized gains/(losses)		Change in unrealized gains/(losses)	
		2014	2013	2014	2013
Commodity contracts	$	(201)	(224)	268	(386)
Equity contracts		(6,749)	265	493	567
	$	(6,950)	41	761	181

For the valuation of the Organization's derivative contracts at June 30, 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, 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, 2014. 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, 2014 and 2013 (in thousands):

		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

		2013			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Dividends and interest	$	13,060	31,874	—	44,934
Net operating investment gains		3,721	42	—	3,763
Investment income available for operations		16,781	31,916	—	48,697
Net nonoperating investment gains		42,670	45,537	3,974	92,181
Total return on investments	$	59,451	77,453	3,974	140,878

(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 $259 million and $244 million in assets under these agreements as of June 30, 2014 and 2013, respectively, which are included in other assets on the consolidated statement of financial position, $44 million and $41 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 $22 million for the years ended June 30, 2014 and 2013, respectively, of which $3 million and $4 million is included in other current liabilities and $19 million and $18 million is included in other noncurrent liabilities on the consolidated statement of financial position, respectively.

(10) Benefit Plans

The Retirement System 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 Retirement System was ‘frozen’ on December 31, 2012 (the freeze date). Employees who were participating in the Retirement System 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 years 2014 and 2013, the Organization contributed 4.9% and 24.4% of covered payroll to the Plan, respectively.

The Organization also has a Defined Benefit Pension Plan for the Delta Blood Bank LLC with a $2 million liability recorded in pension and postretirement benefits in the accompanying statement of financial position and pension-related changes other than net periodic benefit cost of approximately $559,000 for fiscal year 2014.

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. However, the Board of Governors has designated $101 million of unrestricted net assets to fund a portion of premiums for retirees' postretirement medical benefits.

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 to utilize in purchasing individual coverage through an external exchange program CMS 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, 2014 and 2013 (in thousands):

	Pension benefits		Postretirement benefits	
	2014	**2013**	**2014**	**2013**
Changes in benefit obligations:				
Benefit obligations at beginning of year	$ 2,448,455	2,835,677	66,248	85,104
Service cost	2,116	27,531	303	615
Interest cost	127,787	129,174	3,130	3,699
Actuarial loss (gain)	162,812	(153,011)	400	(19,960)
Benefits paid	(146,424)	(257,617)	(3,112)	(3,210)
Curtailments	—	(175,895)	—	—
Settlements	—	42,596	—	—
Benefit obligations at end of year	2,594,746	2,448,455	66,969	66,248
Changes in plan assets:				
Fair value of plan assets at beginning of year	1,956,324	1,915,154	—	—
Actual return on plan assets	251,889	53,746	—	—
Employer contributions	78,134	245,041	—	—
Benefits paid	(146,424)	(95,842)	—	—
Settlements	—	(161,775)	—	—
Fair value of plan assets at end of year	2,139,923	1,956,324	—	—
Funded status-accrued benefit costs	$ (454,823)	(492,131)	(66,969)	(66,248)

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)

Pension-related changes other than net periodic benefit cost for 2013:

		Pension benefits	Postretirement benefits	Total
Prior service cost	$	—	(33,379)	(33,379)
Amortized net loss		13,190	—	13,190
Net actuarial gain		247,524	19,960	267,484
	$	260,714	(13,419)	247,295

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

Items not yet recognized as a component of net periodic benefit cost for 2013:

		Pension benefits	Postretirement benefits	Total
Unrecognized prior service credit	$	—	(21,900)	(21,900)
Unrecognized net actuarial loss (gains)		621,971	(16,654)	605,317
	$	621,971	(38,554)	583,417

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	$	—	(263)	(263)
Net actuarial loss (gain)		16,581	(1,893)	14,688
	$	16,581	(2,156)	14,425

The accumulated benefit obligation for the pension plan was approximately $2.6 billion and $2.4 billion as of June 30, 2014 and 2013, respectively.

The weighted average assumptions used to determine benefit obligations for 2014 and 2013 were as follows:

	Pension benefits		**Postretirement benefits**	
	2014	**2013**	**2014**	**2013**
Discount rate	4.83%	5.44%	4.28%	4.86%
Rate of compensation increase	5.00	5.00	—	—

The weighted average assumptions used to determine net benefit cost for 2014 and 2013 were as follows:

	Pension benefits		**Postretirement benefits**	
	2014	**2013**	**2014**	**2013**
Discount rate	5.44%	4.96%	4.86%	4.45%
Expected return on plan assets	6.75	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% 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. An 8.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for fiscal year 2013. The rate was assumed to decrease gradually to 5% for 2021 and remain at that level thereafter.

The components of net periodic benefit cost (credit) for the years ended June 30, 2014 and 2013 were as follows (in thousands):

	Pension benefits		Postretirement benefits	
	2014	**2013**	**2014**	**2013**
Service cost	$ 2,115	27,531	303	615
Interest cost	127,787	129,174	3,130	3,699
Expected return on plan assets	(131,127)	(133,629)	—	—
Amortization of prior service cost (credit)	—	—	(21,128)	(33,379)
Net amortization loss (gain)	11,859	13,190	(1,986)	—
Net periodic benefit cost (credit)	$ 10,634	36,266	(19,681)	(29,065)

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	$ 8	(10)
Effect on postretirement benefit obligation	187	(226)

The Organization expects to contribute approximately $67.1 million to its pension plan and $3.1 million to its postretirement benefit plan during the year ending June 30, 2015.

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
2015	$ 126,829	3,807
2016	134,008	3,841
2017	140,763	3,980
2018	147,053	4,124
2019	152,483	4,222
2020–2024	815,585	21,854
	$ 1,516,721	41,828

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, 2014 and 2013:

	Pension assets	
	2014	**2013**
Cash and short-term investments	11%	12%
Domestic equity	2	4
International equity	14	12
Fixed income	26	32
Commodities	1	1
Marketable and nonmarketable alternative funds	46	39
	100%	100%

The Plan assets were within authorized asset allocation ranges at June 30, 2014 and 2013.

The following tables represent pension plan assets that are measured at fair value on a recurring basis at June 30, 2014 and 2013 (in thousands):

	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

	Fair value measurements at June 30, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
U.S. government securities	$ 116,293	43,677	—	159,970
Corporate and foreign sovereign bonds and notes	28,142	328,674	—	356,816
Common and preferred stocks	270,891	45,794	—	316,685
Fund of hedge funds	—	—	53,124	53,124
Global macro hedge funds	—	—	46,757	46,757
Hedged equity funds	—	—	145,939	145,939
Multistrategy and other hedge funds	—	—	181,661	181,661
Buyout and growth equity funds	—	—	148,879	148,879
Distressed debt and turnaround funds	—	—	40,385	40,385
Private real estate funds	—	—	65,175	65,175
Venture capital funds	—	—	22,268	22,268
Other private market funds	—	—	113,548	113,548
Commodities	—	8,900	—	8,900
Derivative contracts	—	(52,008)	—	(52,008)
Money market and other	7,074	232,748	—	239,822
Equity interest in par annuity	—	—	65,173	65,173
Guaranteed accumulation fund	—	—	43,230	43,230
Total	$ 422,400	607,785	926,139	1,956,324

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, 2014 and 2013 (in thousands):

	Balance at June 30, 2013	Purchases	Sales	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
Commodity sensitive private equity and infrastructure 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	—	—	—	(4,600)	38,630
	$ 926,139	200,221	(105,070)	2,037	71,372	1,094,699

	Balance at June 30, 2012	Purchases	Sales	Realized gains	Change in unrealized gains (losses)	Balance at June 30, 2013
Fund of hedge funds	$ 62,761	—	(16,698)	—	7,061	53,124
Global macro hedge funds	34,862	10,000	(398)	—	2,293	46,757
Hedged equity funds	151,372	—	(14,215)	9,122	(340)	145,939
Multistrategy and other hedge funds	80,576	161,461	(84,863)	1,047	23,440	181,661
Buyout and growth equity funds	139,142	23,604	(25,151)	11,145	139	148,879
Distressed debt and turnaround funds	51,140	6,258	(24,765)	950	6,802	40,385
Private real estate funds	61,807	8,260	(9,360)	2,838	1,630	65,175
Venture capital funds	24,432	1,580	(4,879)	3,820	(2,685)	22,268
Other private market funds	107,503	17,775	(15,863)	2,712	1,421	113,548
Equity interests in par annuity	48,804	—	—	—	16,369	65,173
Guaranteed accumulation fund	50,476	—	—	—	(7,246)	43,230
	$ 812,875	228,938	(196,192)	31,634	48,884	926,139

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 asset at June 30, 2014 and 2013 (in thousands):

Derivative type	2014	2013
Interest rate contracts	$ 1,515,000	1,645,000
Commodity contracts	46,800	52,000
Equity contracts	280,641	75,000
Tail risk contracts	—	320,000

The following table lists fair value of derivatives by contract type included in pension plan assets as of June 30, 2014 and 2013 (in thousands):

	Asset derivatives		Liability derivatives	
Derivative type	2014	2013	2014	2013
Interest rate contracts	$ 22,687	67,190	16,168	116,858
Commodity contracts	748	400	—	239
Equity contracts	3,223	—	92	2,726
Tail risk contracts	—	386	—	—
Fair value of derivatives included in pension plan assets	$ 26,658	67,976	16,260	119,823

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, 2014 and 2013 (in thousands):

Derivative type		Realized gains/(losses) 2014	Realized gains/(losses) 2013	Change in unrealized gains/(losses) 2014	Change in unrealized gains/(losses) 2013
Interest rate contracts	$	(13,971)	(6,113)	56,053	(74,982)
Commodity contracts		115	(786)	587	(749)
Equity contracts		(11,208)	(6,786)	2,290	(1,461)
Tail risk contracts		(7,456)	(4,500)	7,070	(85)
	$	(32,520)	(18,185)	66,000	(77,277)

For the valuation of the Plan's derivative contracts at June 30, 2014, 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 $71.4 million and $58.8 million in Red Cross employer contributions to the Savings Plan in 2014 and 2013, respectively.

There were $36.9 million and $37.4 million in Red Cross match to the Savings Plan in 2014 and 2013 respectively.

Eligible employees impacted by the freeze of the Retirement System 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 $27.4 million and $15 million for the years ended June 30, 2014 and 2013, respectively.

Eligible employees not impacted by the freeze of the Retirement System were credited with the Annual Red Cross Contribution totaling $7.1 million and $6 million for the years ended June 30, 2014 and 2013, respectively.

For the 2014 calendar year, contribution limits were based on a maximum annual compensation of $260,000. As of June 30, 2014, there were 20 investment options that an employee could choose from and a self-managed brokerage account option.

(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 $150 million and the total cost of the program approximates the 30 day Libor plus 1.35%. At June 30, 2014 and 2013, the amount of outstanding borrowings under the securitization program was $128 million and $134 million, respectively, and are 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.

(13) Subsequent Events

The Organization has evaluated subsequent events through the date the consolidated financial statements were issued, October 29, 2014.

Schedule 1

THE AMERICAN NATIONAL RED CROSS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grant Program Title	CFDA Number	Grant Number	American Red Cross Department	Direct (D) or Pass Thru (P)	Expenditures
U.S. Department of Agriculture:					
California Department of Public Health Women, Infants and Children Program 2012-2013	10.557	11-10431	ARC San Diego Imperial	P	$ 1,818,426
California Department of Public Health Women, Infants and Children Program 2013-2014	10.557	11-10431	ARC San Diego Imperial	P	4,267,419
Total CFDA 10.557					6,085,845
Supplemental Nutrition Assist Program Outreach Plan	10.561	N/A	ARC Mass Bay	P	20,665
GBFB – New Bedford Food Pantry	10.569	N/A	ARC Mass Bay	P	115,934
GBFB – Boston Food Pantry	10.569	N/A	ARC Mass Bay	P	174,037
Total CFDA 10.569					289,971
Total U.S. Department of Agriculture					6,396,481
National Oceanic Atmospheric Administration:					
American Red Cross MS-LA Regional Resilience Network	11.473	NA12NOS4730190	Community Preparedness	D	55,163
Total National Oceanic Atmospheric Administration					55,163
U.S. Department of Defense:					
SAF – SMH	12.599	HQ0034-11-1-0004	AFES	D	5,980,345
SAF – American Red Cross SAF, Installation Service	12.599	HQ0034-11-1-0004	AFES	D	15,472,490
SAF – Service to Armed Forces CLIN 3	12.599	HQ0034-11-1-0004	AFES	D	3,265,026
Total U.S. Department of Defense					24,717,861
U.S. Department of Housing and Urban Development:					
GDPM – Housing Assistance Payment Contract (HAP)	14.195	N/A	ARC Dayton	P	52,242
Section 8 Housing Assistance (HAP)	14.195	N/A	ARC Dayton	P	26,258
Total CFDA 14.195					78,500
City of Montgomery CDBG – Scholarships (NAT)	14.218	N/A	PHSS	P	93,368
CDBG	14.218	N/A	Cabarrus County	P	4,553
CDBG	14.218	CT 13-0706	Dayton Area	P	147,929
CDBG	14.218	N/A	Muskegon – Oceana	D	5,000
City of El Paso CDBG	14.218	39th Year	El Paso	P	14,779
DMD 2013	14.218	N/A	Southwestern Indiana	P	8,830
City of Modesto – CDBG Modesto	14.218	FY 2013-2014	Capital Region	P	12,000
Stanislaus County – CDBG FY13	14.218	FY 2013-2014	Capital Region	P	11,356
Total CFDA 14.218					297,815
Greene Co Emergency Shelter 2014-2015	14.231	N-L-13-7JG-1	Dayton Area	P	45,415
Montgomery Co Emergency Shelter 2014-2015	14.231	N-L-13-7JG-1	Dayton Area	P	86,895
HUD, HAGP – Family Living Center 2012-2014	14.231	N-H-11-7JG-1	Dayton Area	P	89,531
HUD, HAGP – GCEHP 2012-2014	14.231	N-H-11-7JG-1	Dayton Area	P	56,822
STEHP (Solutions to End Homelessness Program)	14.231	DSS2011/2012-38	Tompkins County	P	18,238
Total CFDA 14.231					296,901
HUD Transitional Housing Program	14.235	NY0116L2C081202	ARC serving Erie & Niagara Counties	D	92,381
YWCA/HUD FY14	14.235	N/A	Dayton Area	P	12,712
YWCA/HUD Shelter Grant	14.235	N/A	Dayton Area	P	70,500
Total CFDA 14.235					175,593

(Continued)

THE AMERICAN NATIONAL RED CROSS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grant Program Title	CFDA Number	Grant Number	American Red Cross Department	Direct (D) or Pass Thru (P)	Expenditures
HOPWA	14.241	H0000210	ARC serving Erie & Niagara Counties	P	$ 82,737
HOPWA	14.241	H0000210	ARC serving Erie & Niagara Counties	P	35,587
Total CFDA 14.241					118,324
EMHR 2013	14.321	201300458	ARC in New Mexico	P	403,389
EMHR 2014	14.321	705718	ARC in New Mexico	P	317,733
Total CFDA 14.321					721,122
Total U.S. Department of Housing and Urban Development					1,688,255
U.S. Department of Interior:					
NMI	15.875	TA-CNMI-2011-10	PHSS	D	7,819
Total U.S. Department of Interior					7,819
U.S. Department of Justice:					
VOCA 2014	16.575	2014VASAVE053	ARC Stark	P	58,262
State of Ohio – (VOCA) FY13 Stark County	16.575	2013VASAVE053	ARC Stark	P	12,292
State of Ohio – (SVAA) FY 13 Stark County	16.575	2013SASAVE053	ARC Stark	P	1,677
SVAA 2014	16.575	2014SASAVE053	ARC Stark	P	4,392
Total U.S. Department of Justice					76,623
U.S. Department of Labor:					
Hurricane Sandy National Emergency Grant	17.277	Resolution 2013-61	Central New Jersey	P	12,496
Total U.S. Department of Labor					12,496
U.S. Department of State:					
CWS-Immigration and Refugee Program 2012-2013	19.510	N/A	ARC St Joseph County	P	21,115
CWS – Immigration and Refugee Program 2013-2014	19.510	N/A	ARC St Joseph County	P	35,685
Total CFDA 19.510					56,800
BPRM 9 – (EART)	19.517	SPRMCO12CA1040	International	D	121,960
BPRM 10 – (EART)	19.517	SPRMCO13CA1071	International	D	318,526
Total CFDA 19.517					440,486
Total U.S. Department of State					497,286
U.S. Department of Transportation:					
Transportation for low income adults and children to medical appts	20.507	#1100000575	ARC Central NC	P	69,501
IDOT – McDonough Co. FY13	20.509	OP-14-25-FED	LaMoine Valley	P	53,206
MDOT specialized transportation	20.513	Specialized Services 16 (B) (2)	Greater Grand Rapids	P	45,103
Capital Assistance Program for the Elderly Persons and Persons with Disabilities	20.513	2007-0160	ARC Serving Muskegon, Oceana and Newaygo	P	14,802
WI DOT Capital Assistance Cycle 37	20.513	N/A	East Central Wisconsin	P	76,244
Capital Assistance Program	20.513	2012-0031/P1 & MI-16-X005-01	Greater Grand Rapids	P	115,063
TX DOT Vehicle Grant – FY14	20.513	51412F7151	Greater Houston	P	762
NH Transportation	20.513	N/A	NH West	P	62,195
Ride Connection Preventative Maintenance -ODOT	20.521	29297-AC	ARC Oregon Trail	P	27,467
Ride Connection Beaverton RideAbout & Beaverton U-Ride (New Freedom)	20.521	29297-AC	ARC Oregon Trail	P	96,020
Ride Connection Discretionary Funds (N/NE Shuttle)	20.521	29297-AC	ARC Oregon Trail	P	41,293
Total Transit Services Programs Cluster					478,949

(Continued)

Schedule 1

THE AMERICAN NATIONAL RED CROSS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grant Program Title	CFDA Number	Grant Number	American Red Cross Department	Direct (D) or Pass Thru (P)	Expenditures
IDOT-State and Community Highway Safety – Central Illinois	20.600	AP-14-0090	Central Illinois	P	$ 96,550
ILDOT – Injury Prevention	20.600	OP-13-225	Central Illinois	P	33,411
Total CFDA 20.600					129,961
Total U.S. Department of Transportation					731,617
U.S. Department of Veteran Affairs:					
SSVF	64.033	12-FL-187	Lee County	D	124,335
SSVF Program 2013-2014	64.033	14-FLA-097	Lee County	D	144,496
VA Supportive Services for Veterans Families Program	64.033	14-AZ-087	Southern Arizona	D	571,894
VA – Supportive Services for Veteran Families Program	64.033	12-AZ-670	Southern Arizona	D	385,601
Total U.S. Department of Veteran Affairs					1,226,326
U.S. Department of Health and Human Services:					
Title VII of the Older American Act	93.042	N/A	Northeastern New York	P	24,257
Title VII of the Older American Act	93.042	N/A	The Mohawk Valley	P	15,958
Title VII of the Older American Act	93.042	N/A	Erie & Niagara Counties	P	23,107
Title VII of the Older American Act	93.042	N/A	Northeastern New York	P	25,807
Title VII of the Older American Act	93.042	N/A	Erie & Niagara Counties	P	11,441
Title VII of the Older American Act	93.042	N/A	The Mohawk Valley	P	17,333
Total CFDA 93.042					117,903
Senior Resources 2013-2014	93.044	N/A	Muskegon – Oceana	P	19,750
2014 Title III of the Older Americans Act	93.044	N/A	Greater Columbus	P	63,124
Shopper Services for the Aging	93.044	CA 292-277	Southern Tier	P	7,900
Area Agency on Aging Title IIIb Senior Transportation	93.044	SGA #2014-1	Greater Grand Rapids	P	9,500
Transportation – Oceana	93.044	38-1577280	Muskegon – Oceana	D	8,590
WIAAA – Transportation FY13	93.044	N/A	LaMoine Valley	P	286
OH Agency on Aging Transportation 2013	93.044	N/A	Greater Columbus	P	66,200
Home Repair 2013/2014	93.044	N/A	The Finger Lakes	P	19,208
Shopper Services for the Aging	93.044	CA 292-277	Southern Tier	P	14,054
WIAAA – Transportation FY14	93.044	N/A	LaMoine Valley	P	10,139
Weekend Mobile Meals Mercer County	93.045	2013-38	Central New Jersey	P	1,468
Meals at Home Mercer County	93.045	2013-16	Central New Jersey	P	69,761
CPAAA Home Delivered Meals 2014	93.045	14-6	Midway – Kansas	P	22,417
CPAAA Home Delivered Meals 2014 USDA	93.045	14-6	Midway – Kansas	P	18,241
Meals on Wheels Program – Loess Hills	93.045	N/A	Loess Hills	P	22,400
CPAAA Congregate Meals 2013	93.045	13-08	Midway – Kansas	P	150,447
CPAAA Congregate Meals 2013 USDA	93.045	13-08	Midway – Kansas	P	21,425
CPAAA Home Delivered Meals 2013	93.045	12-08	Midway – Kansas	P	36,524
LCG-Metro Meals on Wheels FY14 OAA, Title III	93.045	N/A	Oregon Pacific	P	64,795
CPAAA Home Delivered Meals 2013 USDA	93.045	12-08	Midway – Kansas	P	9,924
PACE Meals on Wheels 2012	93.045	N/A	Loess Hills	P	2,874
Meals on Wheels Seneca County CY 2014	93.045	N/A	The Finger Lakes	P	43,493
VNS, Meals on Wheels	93.045	N/A	Greater Rochester	P	247,923
Weekend Mobile Meals, Mercer County	93.045	2013-38	Central New Jersey	P	1,472
Mercer County Meals at Home	93.045	Resolution 2013-16	Central New Jersey	P	74,223
CPAAA Congregate Meals 2014	93.045	14-5	Midway – Kansas	P	335,242
CPAAA Congregate Meals 2014 USDA	93.045	14-5	Midway – Kansas	P	51,433
LCG-Metro Meals on Wheels FY14 NSIP	93.053	N/A	Oregon Pacific	P	23,897
Total Aging Cluster					1,416,710

(Continued)

THE AMERICAN NATIONAL RED CROSS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grant Program Title	CFDA Number	Grant Number	American Red Cross Department	Direct (D) or Pass Thru (P)	Expenditures
OMH/PATH 2013	93.150	MHD 13 4328	ARC Tompkins	P	$ 9,292
IDPH Special Needs Group	93.184	1U59DD0000938-02	Central Illinois	P	19,485
HRSA Cleveland (NAT)	93.503	1-T51HP20694-01-00	PHSS	D	148,590
HRSA Sonoma	93.503	1-T51HP20693-01-00	PHSS	D	111,937
Total CFDA 93.503					260,527
DSS Friendship Center 13-14	93.558	DSS2013-303	Tompkins County	P	15,686
Victims of Fire, Flood or other natural disaster – Central NY	93.558	AME130001/AME140001	Central New York	P	3,467
County of Dutchess DSS – Emergency Services	93.558	10-0366-12/10-SS-A3	Mid-Hudson Valley	P	13,099
Emergency Billing DHS	93.558	20121422666	Greater New York	P	22,026
Total CFDA 93.558					54,278
FSSA Refugee Job Replacement 2013-2014	93.566	F1-4-71-14-LJ-1684	ARC St Joseph County	P	33,775
FSSA-Refugee Job Development FY13	93.566	N/A	ARC St Joseph County	P	6,640
Total CFDA 93.566					40,415
ORR, CWS/IRP Matching Grant 2013-2014	93.567	N/A	ARC St Joseph County	P	4,350
ORR, CWS/IRP Matching Grant 2012-2013	93.567	N/A	ARC St Joseph County	P	14,212
Total CFDA 93.567					18,562
NYSOCFS-Children Care & School Age Providers (PHSS) ‘13	93.575	C025819	PHSS	P	821,688
Lucas County JFS Disaster	93.667	48-14-TXX-07	Greater Toledo Area	P	47,500
DHS Volunteer Contract – Loess Hills	93.667	V2010-01-05	Loess Hills	P	522
Greene County DJFS – Title XX	93.667	N/A	Dayton Area	P	25,000
IDHS FY14	93.667	FCSSH00455	Fulton – Schuyler	P	41,642
Total CFDA 93.667					114,664
Iowa DHS-Meals on Wheels	93.778	N/A	Loess Hills	P	39,162
CSDJFS-Non Emergency Transportation FY13	93.778	N/A	Summit and Portage Counties	P	136,172
AAA-Ohio DOA Passport	93.778	N/A	Stark County	P	34,483
NH Medicaid	93.778	N/A	New Hampshire West	P	466
Total CFDA 93.778					210,283
LCG – MOW FY14 – Title XIX	93.779	N/A	ARC Oregon Pacific	P	178,780
Total U.S. Department of Health and Human Services					3,262,587
Corporation for National Community Service:					
RSVP – Carolina Low Country ‘12-‘15	94.002	12SRSSC044	ARC Carolina Low Country	D	74,136
2012-2015 Americorps – NPRC	94.006	12EDHDC001	Chapter Operations	D	1,482,406
AmeriCorps – Greater Ozark	94.006	N/A	Greater Ozarks	P	9,394
Public Allies AmeriCorps	94.006	N/A	Twin Cities Area	P	8,018
2013/2014 Lansing AmeriCorp/TWP	94.006	MACF-14-99021	Greater Grand Rapids	P	319,872
Americorps 2013-2014 Admin	94.006	13ACHOR0010001	Oregon Trail	P	87,666
MCSC Americorps 2013-2014	94.006	N/A	Greater Ozarks	P	86,841
Americorps 2013-2014 Member	94.006	13ACHOR0010001	Oregon Trail	P	413,563
Americorps	94.006	C027008	Northeastern New York	P	158,065
Utah AmeriCorps 2013-2014 Sites	94.006	11AFHUT0010014	Greater Salt Lake Area	P	49,308
Utah AmeriCorps 2013-2014 Admin	94.006	11AFHUT0010014	Greater Salt Lake Area	P	15
Michigan DHS – Americorps/Together We Prepare	94.006	MACF-13-99021	Central Michigan	P	50,702
AmeriCorp Safe Families 12-13	94.006	FCSRE01933	Greater Chicago	P	5,082
AmeriCorps 2012-2013	94.006	12AFH-1502-13-OC040	Greater Columbus	P	28,637
OFBCI-AmeriCorps*State Grant 2012-2013	94.006	F20-3-12-AF-005	St Joseph County	P	20,473

(Continued)

THE AMERICAN NATIONAL RED CROSS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grant Program Title	CFDA Number	Grant Number	American Red Cross Department	Direct (D) or Pass Thru (P)	Expenditures
AmeriCorps 2012-2013 Admin	94.006	12AFHOR0010002 (‘01694)	Oregon Trail	P	$ 14,617
AmeriCorps 2012-2013 Member	94.006	12AFHOR0010002 (‘01694)	Oregon Trail	P	30,657
AZ AmeriCorp State Operational Formula 12-13 Member	94.006	AC-VSG-13-3273-01	Southern Arizona	P	52,166
State of AR – AmeriCorps FY13 NW Arkansas	94.006	4600027628	Northwest Arkansas	P	19,733
California SafeCorps 2013	94.006	11ESHCA001 (Fixed Amt Grant)	Greater Los Angeles	P	34,285
Americorps	94.006	C026672	Greater New York	P	100,040
AmeriCorps 2012-2013 Northern MN	94.006	N/A	Twin Cities Area	P	1,861
Lee County AmeriCorp-Program	94.006	RPT_BGT_424	Lee County	P	71,931
FY13-14 AmeriCorps Safe Families	94.006	13AC145111	Greater Chicago	P	107,151
NW Arkansas AmeriCorp	94.006	4600030264	Northwest Arkansas	P	61,198
AmeriCorps State Operational Grant Program	94.006	AC-VSG-13-3273-01Y2	Southern Arizona	P	198,856
ND Preparedness and Response Corps	94.006	12AFHND001	Mid-Dakota	P	6,995
Volunteer Florida Americorps 2014	94.006	13AC152516	Lee County	P	85,104
Americorps Greater Columbus 2013-2014	94.006	12-AFH-1502-14-OC040	Greater Columbus	P	155,061
FY14 California SafeCorps	94.006	11ESHY19-X111	Greater Los Angeles	P	245,440
Total CFDA 94.006					3,905,137
CNCS MTCC 9/11 National Day	94.007	PG13-26798-06	ARC of Montana	P	8,133
Hope Worldwide 2013	94.007	N/A	Multiple	P	4,610
MLK Day of Service 2014	94.007	N/A	Multiple	P	5,052
Total CFDA 94.007					17,795
Foster Grandparent Program	94.011	13SFAPA005	ARC SW Pennsylvania	D	722,681
Total Corporation for National Community Service					4,719,749
U.S. Department of Homeland Security:					
Erie County Prepared & Ready Initiative	97.008	N/A	ARC Serving Eric and Niagara Counties	P	3,254
Emergency Food and Shelter Program (EFSP)	97.024	LRO ID: 615600-003	Erie & Niagara Counties	P	32,777
Emergency Food and Shelter Program (EFSP)	97.024	LRO ID: 631400-002	Greater New York	P	24,322
Emergency Food and Shelter Program	97.024	LRO ID: 270200-002	Jefferson County	P	4,609
LRO ID: 649400-003	97.024	LRO 649400-003	Rockingham Co	P	5,882
Emergency Food and Shelter Program	97.024	LRO ID: 779000-006	Northeast Tennessee	P	11,414
EFSP – Phase 30	97.024	LRO ID 731000-063	ARC SE Pennsylvania	P	30,000
EFSP – Suffolk County	97.024	LRO 046	Massachusetts Bay	P	10,000
EFSP Okaloosal Co FL	97.024	LRO ID:167600-008	Northwest Florida	P	2,667
WOHS Emergency Mgmt Performance	97.024	13-GPD-ARC-EM-RED13	ARC of Wyoming	P	71,382
Emergency Shelter Billable Contract	97.024	DSS2013/302	Tompkins County	P	47,945
EFPS Phase 31 Escambia Co	97.024	Phase 31, 2013	Northwest Florida	P	4,500
EFSP Phase 31 Roanoke Valley	97.024	LRO ID: 161200-010	Roanoke Valley	P	2,645
FY14 EFSP – Stanislaus	97.024	LRO# 031	Capital Region	P	6,204
Emergency Food and Shelter Program	97.024	LRO ID: 613600-006	Southwestern NY	P	373
EFSP, ARC Dayton	97.024	LRO ID: 675200-005	Dayton Area	P	8,673
EFSP – New Bedford	97.024	LRO 026	New Bedford – Bristol County	P	9,235
EFSP-Delaware County	97.024	LRO 731000-063	Southeastern Pennsylvania	P	4,083
FEMA – EFSP Sangamon Co. IL	97.024	LRO ID: 254800-018	Illinois Capital Area	P	8,000
United Way – EFSP	97.024	LRO 312400-019	Douglas County	P	688
EFSP – Emergency Food & Shelter	97.024	LRO ID: 325600-018	Midway – Kansas	P	17,709
Total CFDA 97.024					303,108
DHS Appropriations St. Thomas ‘14	97.039	30-0209 M6207	ARC of the Virgin Islands	P	76,928
DHS Appropriations St. Croix ‘14	97.039	30-0209 M6620	ARC of the Virgin Islands	P	88,016
DHS Appropriations St. Thomas	97.039	7414	ARC of the Virgin Islands	P	30,790
DHS Appropriations St. Croix	97.039	7414	ARC of the Virgin Islands	P	40,846
Hazard Mitigation Grant	97.039	FEMA-4017-DR-PR	ARC of the Virgin Islands	D	8,210
Hazard Mitigation Grant Program	97.039	FEMA-4040-DR-PR, Project 0002	ARC of the Virgin Islands	D	4,305
Total CFDA 97.039					249,095

(Continued)

THE AMERICAN NATIONAL RED CROSS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grant Program Title	CFDA Number	Grant Number	American Red Cross Department	Direct (D) or Pass Thru (P)	Expenditures
RIEMA/ARC Regional Planner and Shelter Coordinator 2013	97.042	N/A	ARC of Rhode Island	P	$ 28,575
MT Dept. Military Affairs – Emergency Mgmt	97.043	EMW-2012-EP-00057-S01	ARC of Montana	P	34,004
RIEMA – EMPG-Homeland Security-11	97.052	42-860-FY2011 EMPG	ARC Rhode Island	P	107,864
Citizen Corps Grant FY10	97.053	11-A415	ARC SW NY	P	1,810
Maine Emergency Management Agency	97.067	N/A	Southern Maine	P	45,298
CEMA Leisher FY14	97.067	6007-3	Capital Region	P	143,125
Miami/Ft Lauderdale UASI FY2011	97.067	N/A	Greater Miami and The Keys	P	26,674
Midland Empire MO-Kan In-Kind	97.067	N/A	Midland Empire	P	2,103
State of VT-Dept of Public Safety	97.067	02140-72142-201	Vermont and New Hampshire Upper Valley Region	P	18,429
UASI Mass Care Capability Expansion	97.067	11UASI189-02	National Capital Region	P	1,808,144
UASI Mass Care Mtnce FY11	97.067	11UASI189-01	National Capital Region	P	89,490
SHSGP 2012 – LA FY14	97.067	N/A	Greater Los Angeles	P	250,453
FY14 IEMA Mass Care Planner	97.067	12ARC	Greater Chicago	P	11,206
CEMA, Leisher	97.067	6020-1	Capital Region	P	592
ILEMA – IL Emergency Services Regional State Wide Trainings	97.067	11ARC	The Quad Cities Area	P	16,320
Mass Care Trailer Sustainment	97.067	EMW-2013-SS-0023-5763	Greater Ozarks	P	1,476
DHS-Mass Care & Sheltering M	97.067	N/A	Southeast Missouri	P	2,001
Marin Co. Sheriff's OES – SHSGP Comms Equip	97.067	N/A	ARC Bay Area	P	1,614
UASI Mass Care Mtnce FY12	97.067	12UASI189-01	National Capital Region	P	64,770
Ventura County-SHSGP 2011	97.067	2011-SS-0077	ARC of Ventura County	P	27,407
SHSGP 2012 – Ventura County	97.067	2012-SS-00123	ARC of Ventura County	P	25,138
MT DLI-EPT	97.067	DLI13-2623T	ARC of Montana	P	14,473
LA UASI 2012	97.067	C-122116/UASI 12 Grant	Greater Los Angeles	P	160,916
SHSGP 2013 – Ventura County	97.067	2013-00110-111-00000	ARC of Ventura County	P	1,999
SCOCOG	97.067	N/A	Greater Ozarks	P	2,643
FEMA 2011 Homeland Security Grant	97.067	2011	Knoxville Area	P	13,950
IEMA Functional Needs Institute	97.067	13ARC	Illinois Capital Area	P	3,099
UASI Mass Care Maintenance FY13	97.067	13UASI189-01	National Capital Region	P	54,151
Total CFDA 97.067					2,785,471
Missouri Disaster Case Management Program	97.088	ARC GOC-LFCS-MoDCMP2012	ARC Greater Ozark	P	10,047
CEMA-RCPGP LA General Admin 2010	97.111	N/A	Greater Los Angeles	P	86,417
DHS RCPGP 2011	97.111	N/A	Greater Los Angeles	P	39,850
RCPGP 2011 – Ventura County Sheriff	97.111	2011-0013	ARC of Ventura County	P	56,036
Total CFDA 97.111					182,303
Total U.S. Department of Homeland Security					3,705,531
U.S. Agency for International Development:					
Healthcare Programs:					
GDPC-OFDA	98.001	AID-OFDA-G-13-00038	International	D	140,396
Indonesia Coastal DRR – OFDA	98.001	AID-OFDA-G-12-00165	International	D	329,143
Manafwa River Basin-OFDA	98.001	AID-OFDA-G-12-00127	International	D	107,352
Nepal CADRE – OFDA	98.001	AID-OFDA-G-12-00070	International	D	165,715
Vietnam Forests and Deltas – USAID	98.001	#6480-12-02	International	P	455,560
OFDA DP South America	98.001	AID-OFDA-G-11-00198	International	P	471,182
OFDA DP Caribbean Phase III	98.001	AID-OFDA-G-11-00189	International	P	509,384
PrevSIDA	98.001	521-A-00-10-00006-00	International	P	465,767
Community Based Disaster -Vietnam	98.001	AID-OFDA-G-11-00087	International	P	366,517
Myanmar DRR – OFDA	98.001	AID-OFDA-G-13-00110	International	D	133,160
Aceh EQ Response – OFDA	98.001	AID-OFDA-G-13-00143	International	D	238,100
Total U.S. Agency for International Development					3,382,276

(Continued)

Schedule 1

THE AMERICAN NATIONAL RED CROSS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grant program title	CFDA number	Grant number	American Red Cross department	Direct (D) or pass thru (P)	Expenditures
Research and Development:					
U.S. Department of Health and Human Services:					
National Institutes of Health:					
Retrovirus Epidemiology Study III (REDS-III)	93.839	M12A11136	NE Region	P	116,926
(REDS-III) Phase 1 T01 (FDA)	93.839	M14A11660 (B00141)	NE Region	P	14,366
(REDS-III) Phase 2	93.839	M14A11660 (B00141)	NE Region	P	610,383
Mitigating Iron Deficiency in Regular Blood Donors	93.839	0174-81148	NE Region	P	112,619
Apheresis Donor Services	93.839	HHSN269201300004C	National Capital Region	D	2,370,353
Total CFDA 93.839					3,224,647
HIV Risk Factors & Molecular Surveillance Study	93.943	8067-S-05	SSO	P	44,584
NDDOH-HIV CY13	93.943	PF11.318	West Dakota	P	65,511
Total CFDA 93.943					110,095
Total National Institutes of Health					3,334,742
Centers for Disease Control and Prevention:					
Research Study to Assess the Risk of Blood Borne Transmission of CJD	93.283	2 U01 CK000136-01	Holland Lab	D	77,711
Chronic Disease Self-Management Program	93.283	N/A	Erie & Niagara Counties	P	11,800
Total CFDA 93.283					89,511
Total Centers for Disease Control and Prevention					89,511
Food and Drug Administration:					
FDA Housing of Mice	93.103	HHSSF22300910015C	Holland Lab	P	146,587
Total Food and Drug Administration					146,587
Total U.S. Department of Health and Human Services					3,570,840
Total Research and Development					3,570,840
Total expenditures of federal awards					$ 54,050,910

See accompanying notes to schedule of expenditures of federal awards.

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the expenses of The American National Red Cross (the Organization) incurred in connection with federally sponsored programs for the year ended June 30, 2014.

For purposes of the Schedule, federal awards include all grants, contracts, and other financial assistance entered into directly between the Organization and agencies and departments of the federal government, as well as subawards from nonfederal organizations made under federally sponsored agreements.

(2) Summary of Significant Accounting Policies

(a) Program Determination

In accordance with the Office of Management and Budget (OMB) Circular A-133, federal programs are summarized and classified as either Type A or Type B. For the year ended June 30, 2014, Type A programs were those programs with expenditures exceeding $1,621,527. Type A and B programs are further classified as major or nonmajor, as determined annually by the independent auditors, based on risk assessments and other provisions of OMB Circular A-133. Only those classified as major programs are subject each year to specific testing as required by OMB Circular A-133.

(b) Expense Recognition

Expenses for federal awards of the Organization are determined using the accrual basis of accounting and the cost accounting principles and procedures set forth in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. Under these cost principles, certain expenses are not allowable or are limited as to reimbursement.

Expenses reported include indirect costs, relating primarily to facilities operation and maintenance, and general, divisional, departmental administration services, which are allocated to direct cost based on negotiated formulas referred to as indirect cost rates. Indirect costs allocated to federal awards are based on provisional rates negotiated with the cognizant federal agency, the U.S. Department of Health and Human Services, or in some instances lower rates negotiated with specific federal sponsors.

(Continued)

(c) Subrecipients

Certain funds expended by the Organization under federal awards and included in the Schedule are paid to subrecipients, which include several international Red Cross organizations. These expenditures totaled approximately $2.3 million for the year ended June 30, 2014, and were incurred as part of the following programs:

Grant program title		Expense
U.S. Agency for International Development:		
AID – OFDA – G – 11 – 00198	$	413,838
AID – OFDA – G – 11 – 00189		327,183
521-A-00-10-00006-00		465,767
AID – OFDA – G – 11 – 00087		53,005
AID – OFDA – G – 12 – 00165		249,942
AID – OFDA – G – 12 – 00127		12,494
AID – OFDA – G – 12 – 00070		125,310
6480-12-02		121,437
AID – OFDA – G – 12 – 00165		45,168
AID – OFDA – G – 12 – 00165		182,082
U.S. Department of State:		
SPRMCO12CA1040		93,175
SPRMCO11CA1071		231,759
	$	2,321,160

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Governors
The American National Red Cross:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of The American National Red Cross (the Organization), which comprise the consolidated statement of financial position as of June 30, 2014, 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, and have issued our report thereon dated October 29, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

October 29, 2014

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Board of Governors
The American National Red Cross:

Report on Compliance for Each Major Federal Program

We have audited The American National Red Cross' (the Organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2014. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the consolidated financial statements of the Organization as of and for the year ended June 30, 2014, and have issued our report thereon dated October 29, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

January 21, 2015

THE AMERICAN NATIONAL RED CROSS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal controls over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of report issued on compliance for major programs:	See Below
Any findings, which are required to be reported under Section 0.510(a) of OMB Circular A-133:	No

Major programs:

CFDA/Contract	Name of federal program	Compliance report
12.599	*U.S. Department of Defense* – Service to Armed Forces Program	Unmodified
64.033	*U.S. Department of Veteran Affairs* – Supportive Services for Veteran Families Program	Unmodified
93.575	*U.S. Department of Health and Human Services* – Child Care and Development Block Grant	Unmodified
94.006	*Corporation for National Community Service* – AmeriCorps	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs:	$1,621,527
The American National Red Cross qualified as a low-risk auditee under Section _0.530 of OMB Circular A-133:	Yes

THE AMERICAN NATIONAL RED CROSS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

(2) Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Related to the Federal Awards

None