Consolidated Financial Statements Together with
Report of Independent Certified Public Accountants

AARP

December 31, 2015 and 2014

AARP

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Grant Thornton LLP
1250 Connecticut Ave NW, Suite 400
Washington, DC 20036-3531

T 202.296.7800
F 202.833.9165
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
AARP, Inc.:

We have audited the accompanying consolidated financial statements of AARP, Inc. and affiliates (collectively, "AARP"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 AARP'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 AARP'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 consolidated financial position of AARP, Inc. and affiliates as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Washington, D.C.
March 17, 2016

AARP
Consolidated Statements of Financial Position
As of December 31, 2015 and 2014
(in thousands)

	2015	2014
ASSETS		
Cash and cash equivalents (Note 2)	$ 497,081	$ 444,574
Accounts receivable, net (Notes 2 and 5)	96,736	91,605
Prepaid expenses and other assets (Note 8)	47,977	55,480
Investments (Notes 2 and 4)	2,709,780	2,683,999
Property and equipment, net (Notes 2 and 6)	326,249	310,195
Total assets	$ 3,677,823	$ 3,585,853
LIABILITIES		
Accounts payable and accrued expenses	$ 163,302	$ 198,785
Insurance premiums payable (Notes 3 and 4)	1,098,865	1,028,424
Deferred revenue and other liabilities (Note 2)	21,261	18,545
Deferred membership dues (Note 2)	531,173	526,452
Accrued pension liability (Note 10)	266,849	325,752
Accrued postretirement health benefits (Note 11)	99,028	98,954
Notes payable (Note 7)	199,222	199,195
Total liabilities	2,379,700	2,396,107
NET ASSETS		
Unrestricted:		
Undesignated (Note 2)	425,251	265,386
Board designated (Notes 2 and 14)	871,596	922,435
Total unrestricted net assets	1,296,847	1,187,821
Temporarily restricted (Note 2)	1,276	1,925
Total net assets	1,298,123	1,189,746
Total liabilities and net assets	$ 3,677,823	$ 3,585,853

The accompanying notes are an integral part of these consolidated financial statements.

AARP
Consolidated Statement of Activities
For the year ended December 31, 2015
(in thousands)

	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUES			
Membership dues (Note 2)	$ 295,180	$ -	$ 295,180
Royalties (Notes 2 and 3)	838,649	-	838,649
Publications advertising (Note 2)	149,604	-	149,604
Grant revenue (Notes 2 and 9)	91,381	-	91,381
Program income (Note 2)	69,585	-	69,585
Contributions (Note 2)	92,885	264	93,149
Other	4,442	-	4,442
Net assets released from restrictions	913	(913)	-
Total operating revenues	1,542,639	(649)	1,541,990
OPERATING EXPENSES			
Program services:			
Community Engagement and Outreach	389,962	-	389,962
Publications and Communications	325,797	-	325,797
Membership Engagement	211,138	-	211,138
Training and Education Programs	163,162	-	163,162
Total program services	1,090,059	-	1,090,059
Supporting services:			
Membership development	160,527	-	160,527
Management and general	244,898	-	244,898
Total supporting services	405,425	-	405,425
Total operating expenses	1,495,484	-	1,495,484
Change in net assets from operating activities	47,155	(649)	46,506
NON-OPERATING ACTIVITY			
Investment loss (Notes 2, 3 and 4)	(17,481)	-	(17,481)
Investment loss from sinking fund (Notes 2, 4 and 7)	(2,954)	-	(2,954)
Income taxes (Notes 2 and 8)	(4,314)	-	(4,314)
Pension and postretirement activity other than net periodic benefit cost (Notes 10 and 11)	86,620	-	86,620
Change in net assets	109,026	(649)	108,377
Net assets, beginning of year	1,187,821	1,925	1,189,746
Net assets, end of year	$ 1,296,847	$ 1,276	$ 1,298,123

The accompanying notes are an integral part of this consolidated financial statement.

AARP
Consolidated Statement of Activities
For the year ended December 31, 2014
(in thousands)

	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUES			
Membership dues (Note 2)	$ 296,670	$ -	$ 296,670
Royalties (Notes 2 and 3)	799,255	-	799,255
Publications advertising (Note 2)	146,033	-	146,033
Grant revenue (Notes 2 and 9)	92,587	-	92,587
Program income (Note 2)	58,014	-	58,014
Contributions (Note 2)	89,151	649	89,800
Other	3,951	-	3,951
Net assets released from restrictions	1,930	(1,930)	-
Total operating revenues	1,487,591	(1,281)	1,486,310
OPERATING EXPENSES			
Program services:			
Community Engagement and Outreach	396,102	-	396,102
Publications and Communications	327,616	-	327,616
Membership Engagement	200,100	-	200,100
Training and Education Programs	150,695	-	150,695
Total program services	1,074,513	-	1,074,513
Supporting services:			
Membership development	163,328	-	163,328
Management and general	230,983	-	230,983
Total supporting services	394,311	-	394,311
Total operating expenses	1,468,824	-	1,468,824
Change in net assets from operating activities	18,767	(1,281)	17,486
NON-OPERATING ACTIVITY			
Investment income (Notes 2, 3 and 4)	92,058	-	92,058
Investment income from sinking fund (Notes 2, 4 and 7)	5,396	-	5,396
Income taxes (Notes 2 and 8)	(4,091)	-	(4,091)
Pension and postretirement activity other than net periodic benefit cost (Notes 10 and 11)	(206,688)	-	(206,688)
Change in net assets	(94,558)	(1,281)	(95,839)
Net assets, beginning of year	1,282,379	3,206	1,285,585
Net assets, end of year	$ 1,187,821	$ 1,925	$ 1,189,746

The accompanying notes are an integral part of this consolidated financial statement.

AARP
Consolidated Statements of Cash Flows
For the years ended December 31, 2015 and 2014
(in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 108,377	$ (95,839)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	50,448	47,046
Change in allowance for uncollectible accounts	532	(216)
Charges other than net periodic benefit cost	(86,620)	206,688
Net realized and unrealized loss/(gain) on investments	60,441	(50,146)
Deferred income taxes	(179)	(738)
Changes in operating assets and liabilities:		
Accounts receivable	(5,663)	(10,691)
Prepaid expenses and other assets	7,612	(4,803)
Accounts payable and accrued expenses	(35,483)	(8,912)
Insurance premiums payable	70,441	72,762
Deferred revenue and other liabilities	2,716	(2,629)
Deferred membership dues	4,721	4,308
Accrued pension liability	22,295	14,524
Accrued postretirement health benefits	5,496	1,732
Net cash provided by operating activities	205,134	173,086
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(66,405)	(43,469)
Proceeds from sale and maturities of investments	5,656,563	3,009,778
Purchases of investments	(5,742,785)	(3,098,738)
Net cash used in investing activities	(152,627)	(132,429)
Net increase in cash and cash equivalents	52,507	40,657
Cash and cash equivalents, beginning of year	444,574	403,917
Cash and cash equivalents, end of year	$ 497,081	$ 444,574
Supplemental disclosures:		
Cash paid for interest	$ 9,435	$ 9,440
Cash paid for income taxes	$ 7,036	$ 5,164

The accompanying notes are an integral part of these consolidated financial statements.

1. DESCRIPTION OF ORGANIZATIONS AND ACTIVITIES

AARP, Inc.

AARP, Inc. was organized in 1958 as a District of Columbia not-for-profit corporation for the purpose of promoting the interests of older persons. AARP, Inc. is qualified as a tax-exempt social welfare organization under Section 501(c)(4) of the Internal Revenue Code ("IRC"). The mission of AARP, Inc. is to meet the needs and promote the independence, dignity, and purpose of persons 50 and older. The programs and activities of AARP, Inc. and its affiliates include education, advocacy, research, service programs, other social welfare activities, and charitable programs serving the needs of older persons.

AARP, Inc.'s programs, activities and operations are managed and supported primarily from its National Headquarters in Washington, D.C. AARP, Inc. and its affiliates also have offices in all fifty U.S. states, Washington, D.C., Puerto Rico and the U.S. Virgin Islands, as well as a membership processing center located in Lakewood, California, and a media sales office in New York City.

AARP Services, Inc.

AARP Services, Inc. ("AARP Services") is a wholly owned taxable subsidiary of AARP, Inc., and was incorporated in Delaware in 1998. AARP Services' Board of Directors is composed of members appointed by AARP, Inc.'s Board of Directors.

Pursuant to an agreement with AARP, Inc., AARP Services is responsible for providing quality control services designed to ensure licensees of AARP's intellectual property are using such property appropriately. AARP Services also provides membership development, new product development, institutional relationship services, media sales services and other services designed to support AARP's efforts to select, improve and expand member benefits and services made available to AARP, Inc. members, and to improve the lives of the 50+ population. AARP Services receives fees from AARP, Inc. for performing these services. As part of the aforementioned agreement, AARP, Inc. granted to AARP Services a no fee license to use the AARP trademarks and service marks, to be used for specific, limited purposes under stringent terms and conditions. AARP Services also receives third-party consulting fees for marketing development and other services.

AARP Insurance Plan

The AARP Insurance Plan (the "Plan"), also referred to as the AARP Health Trust, is a grantor trust established in 1958 by an Agreement and Declaration of Trust for the purpose of making group health insurance and other health-related products and services available to AARP, Inc. members or for the general benefit, good and welfare of AARP, Inc. Insurance premiums collected by the Plan are paid directly by participants. At the direction of the third-party insurance carriers, certain agreed upon payments are made for royalties payable to AARP, Inc. The Plan is administered by a Board of Trustees appointed by the Board of Directors of AARP, Inc.

AARP Foundation, AARP Institute and AARP Experience Corps

AARP Foundation was organized in 1961 as a District of Columbia not-for-profit corporation. AARP Foundation is dedicated to serving vulnerable people 50+ by creating solutions that help them secure the essentials - food, housing, income and personal connection - and achieve their best life. AARP Foundation, an AARP, Inc. affiliate, is a qualified nonprofit organization under Section 501(c)(3) of the IRC and is therefore exempt from federal income taxes on its charitable operations. In addition, AARP Foundation is a public charity as defined in Section 509(a)(1) of the IRC. AARP Foundation receives funding principally from the federal government, AARP, Inc., foundations, corporations and individuals. AARP Foundation's Board of Directors is composed of members appointed by AARP, Inc.'s Board of Directors.

AARP Institute (the "Institute"), an affiliate of AARP Foundation, was organized in 1963 as a District of Columbia not-for-profit corporation. The Institute qualifies as a tax-exempt organization under Section 501(c)(3) of the IRC.

AARP Experience Corps ("EC"), an affiliate of AARP Foundation, was incorporated in the District of Columbia in 2008. EC is a not-for-profit organization, qualified as tax-exempt under Section 501(c)(3) of the IRC, formed to engage experienced adults in high-impact community service and leadership activities and to promote the importance of the contributions these individuals make to their communities. These activities are funded primarily through federal and nonfederal grants and contributions from AARP, Inc. On January 9, 2015, the Foundation entered into an agreement with EC whereby the Foundation acquired a controlling voting interest in EC's Board of Directors.

AARP Foundation, the Institute and EC are collectively referred to as the "Foundation."

Legal Counsel for the Elderly

Legal Counsel for the Elderly ("LCE") was incorporated in the District of Columbia in 1980 for the purpose of providing free legal assistance and education to the elderly, primarily in the District of Columbia. LCE publishes manuals, conducts seminars on issues affecting the elderly, and operates legal services and long-term care ombudsman programs. LCE qualifies as a tax-exempt charitable organization under Section 501(c)(3) of the IRC. Funding for LCE is obtained primarily through contributions from AARP, Inc., government grants, foundations, corporations and individuals. LCE's Board of Directors is comprised of seven members appointed by AARP, Inc.'s Chief Executive Officer.

Other Affiliates

AARP Andrus Insurance Fund LLC, a single-member LLC with AARP, Inc. as its sole member, was formed in 2007 to serve as a self-funding mechanism for the deductible portion of certain AARP, Inc. and affiliates' insurance coverage with third-party insurance carriers. In addition, various special purpose taxable affiliated entities own and operate the AARP, Inc. headquarters building located in Washington, D.C., the related parking garage facilities and a building in California. These properties are primarily occupied by AARP, Inc. and its affiliates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements are prepared on the accrual basis of accounting and include the accounts of the entities listed in Note 1, collectively referred to as "AARP."

All significant intercompany transactions have been eliminated in consolidation. These consolidated financial statements do not include the operations and accounts of more than 1,100 local chapters of AARP that are organized and operated as separate entities. AARP neither controls nor derives beneficial economic interest from these organizations, as defined by U.S. generally accepted accounting principles.

AARP summarizes the costs of providing and managing its various programs and supporting activities on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain operating costs are allocated among the benefiting program and supporting services, based on specific identification or appropriate allocation methodologies.

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

> Unrestricted - net assets that are not subject to donor-imposed stipulations including amounts designated by the Board of Directors for specific purposes.
>
> Temporarily restricted - net assets subject to donor-imposed stipulations that will be met by actions of AARP and/or the passage of time.

Measure of Operations

AARP reports as part of operations all activities except for any required provision for federal and state income taxes, investment income, pension and post-retirement related changes other than net periodic benefit cost, and other items which are unusual or nonrecurring in nature.

Cash and Cash Equivalents

Cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase. As of December 31, 2015 and 2014, $344,500,000 and $327,000,000, respectively, were held by the AARP Insurance Plan for the payment of member insurance premiums.

Concentrations of Credit Risk

Financial instruments that potentially subject AARP to concentrations of credit risk consist principally of cash and cash equivalents and investments in U.S. treasury securities, fixed income funds, equity funds and similar interests. AARP maintains its cash and cash equivalents in various bank accounts and money market funds that, at times, may exceed federally insured limits. AARP's cash and cash equivalent accounts have been placed with high credit quality financial institutions. AARP has not experienced, nor does it anticipate, any losses with respect to such accounts.

Accounts Receivable, net

AARP estimates uncollectible amounts based on the aging of outstanding accounts receivable and management's estimate of their net realizable values. Accounts are written-off when deemed uncollectible.

Investments

Investments are measured and reported at fair value. Changes in fair value are reported as investment income/loss in the accompanying consolidated statements of activities.

The fair value of debt and equity securities with a readily determinable fair value is based on quotations obtained from national security exchanges. The fair value of non-U.S. Treasury debt securities is determined by a nationally recognized independent pricing service (pricing service).

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the consolidated statements of activities in the period in which the securities are sold. Dividends are accrued based on the ex-dividend date. Interest is recognized as earned.

Institutional mutual funds, hedge funds, private equity funds and private real estate funds are carried at net asset values as provided by the investment managers as of the reporting date. AARP management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining their estimated fair value. Due to the inherent uncertainties of these estimates, these values may differ from the values that would have been reported had a ready market for such investments existed. In 2015 and 2014, these estimated fair values represented approximately 52% and 54%, respectively, of total investments.

All investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). AARP groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

These levels are:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2 - Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in nonactive markets;
- Inputs other than quoted prices that are observable for the asset/liability;
- Inputs that are derived principally from or corroborated by other observable market data;

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

At December 31, 2015 and 2014, the carrying value of financial instruments such as cash equivalents, accounts receivable, accounts payable and variable rate debt approximates their fair value, based on the short-term maturities or floating interest rates of these instruments.

In 2015, the Financial Accounting Standards Board ("FASB") issued guidance amending the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share ("NAV") as a practical expedient. The amendments within this update must be applied retrospectively to all periods presented. As such, AARP has adopted this guidance for the years ended December 31, 2015 and 2014. This new guidance only amended disclosure requirements and did not have any impact on AARP's consolidated statements of financial position or consolidated statements of activities for the years presented.

Property and Equipment, net

Property and equipment are stated at cost. Computer software is composed of external and certain qualifying internal costs related to software development. Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered. Depreciation and amortization are calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from three to thirty years. Maintenance and repair costs are expensed as incurred.

Membership Dues

Membership dues are deferred upon receipt and recognized as revenue ratably over the membership term of one, two, three or five years.

Royalties

Royalties are received from AARP branded third-party providers of member benefit programs, in return for the rights to use AARP's intellectual property (including name, logo and mailing list) in offering programs. These royalties are recognized as revenue as earned.

The service provider United Healthcare Corporation accounted for approximately 67% and 66% of total royalties earned in 2015 and 2014, respectively.

Publications Advertising

AARP sells advertising space in its major publications, which are provided to members without additional charge as part of their membership benefits. Advertising revenue is recognized as earned in the month of each publication's issue date.

Grant Revenues

The Foundation and LCE report activities under grant agreements as exchange transactions. Accordingly, grant-related revenue is recognized to the extent that allowable expenses are incurred under program agreements. Amounts reported as grants receivable represent grant program expenses incurred in advance of the receipt of funds. Funds received in advance of incurred grant program expenses are reported as deferred revenue and other liabilities in the accompanying consolidated statements of financial position. Federal funds are only received by the Foundation and LCE.

Program Income

AARP receives service fees from providers of and participants in member programs for consulting and specific program services. These fees are recognized as earned.

Contributions and Fundraising Expense

AARP reports contributions as revenue when received or pledged by the donor. Contributions are reported as temporarily restricted revenue if such gifts are restricted by the donor to a specific program and/or include an explicit or implied time restriction.

Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Gifts whose donor-stipulated purposes are met in the same year as received are reported as unrestricted revenue.

Contributions include cash received in support of both charitable and advocacy program activities. Charitable contributions are only received by the Foundation and LCE, while advocacy contributions are received by AARP, Inc. Contributions also include in-kind contributed professional services with a fair value totaling $25,241,000 and $23,906,000 for the years ended December 31, 2015 and 2014, respectively.

Fundraising expenses, which are reported as part of management and general expenses within the accompanying consolidated statements of activities, totaled $27,021,000 and $27,936,000 for the years ended December 31, 2015 and 2014, respectively.

Volunteer Services

AARP and its members benefit from the efforts of many volunteers. These in-kind contributions by volunteers are not recorded as revenue in the consolidated financial statements because they do not meet the requirements for recognition under U.S. generally accepted accounting principles.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in other income (expenses) in the period that includes the enactment date.

AARP does not believe that there are any unrecognized tax benefits/liabilities that should be recorded.

AARP follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

AARP is exempt from income tax under IRC section 501(c)(4), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. AARP has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. The tax years ended December 31, 2012, 2013, 2014 and 2015 are still open to audit for both federal and state purposes. AARP has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

Advertising Expenses

AARP expenses advertising costs as incurred except to the extent of any direct response marketing costs that qualify for capitalization. These costs include brand awareness, member acquisition and retention, member program marketing, and advocacy advertising. For the years ended December 31, 2015 and 2014, advertising expense totaled $277,535,000 and $274,090,000, respectively, and no costs were capitalized.

Use of Estimates

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

Reclassifications

Certain information in the fiscal 2014 consolidated financial statements has been reclassified to conform to the fiscal 2015 presentation. There were no changes in total assets, liabilities, revenues, expenses or changes in net assets as reflected in the fiscal 2014 consolidated financial statements.

3. GRANTOR TRUST

AARP established a grantor trust for the purpose of making group health insurance and other health-related products and services available to AARP, Inc. members or for the general benefit, good and welfare of AARP. Agreements between AARP, Inc., AARP Services, United Healthcare Corporation ("United"), Metropolitan Life Insurance Company ("MetLife"), Genworth Life Insurance Company ("Genworth"), and Aetna Life Insurance Company ("Aetna") make certain types of insurance available to AARP, Inc. members.

The Plan, a grantor trust, holds group policies, and maintains depository accounts to initially collect insurance premiums received from participating members. In accordance with the agreements referenced above, collections are remitted to third-party insurance carriers within contractually specified periods of time, net of the contractual royalty payments that are due to AARP, Inc., which are reported as royalties in the accompanying consolidated statements of activities. AARP derived 55% and 54% of total royalties from the Plan for the years ended December 31, 2015 and 2014, respectively. Billing of insurance premiums and issuance of certificates of insurance to insured members is the responsibility of the third-party insurance carrier. The collection of premiums and submission of amounts due to the insurance carrier are classified as agency transactions and, as such, are not recorded as either revenue or expenses in the accompanying consolidated statements of activities. For the years ended December 31, 2015 and 2014, the Plan processed $9.6 billion and $9.0 billion, respectively, of premium payments from member participants.

The premiums are collected from insured members and are subsequently remitted to the third-party insurance carriers, and are invested and recorded as an offsetting liability, insurance premiums payable in the accompanying consolidated statements of financial position. For the years ended December 31, 2015 and 2014, the Plan generated net investment (loss)/income of ($3,984,000) and $26,522,000, respectively, which is included in investment (loss)/income in the accompanying consolidated statements of activities.

At December 31, 2015 and 2014, insurance premiums payable (in thousands) are comprised of the following:

	2015	2014
Premiums payable to the insurance underwriters	$ 799,321	$ 751,903
Payments received in advance	268,600	248,026
Unprocessed and partial payments	30,944	28,495
Total insurance premiums payable	$ 1,098,865	$ 1,028,424

4. INVESTMENTS

Investments as of December 31, 2015 are summarized in the following table by their classification in the fair value hierarchy (in thousands):

	Total	Level 1	Level 2	Net Asset Value
Investments:				
Equity securities and funds:				
Global and international	$ 479,654	$ 298,893	$ -	$ 180,761
U.S. small cap	83,930	51,559	-	32,371
Emerging markets	78,736	47,085	-	31,651
U.S. large-mid cap	422,686	4,311	-	418,375
Fixed income securities and funds:				
U.S. corporate and investment grade	246,353	1,340	245,013	-
Global and international	267,485	55,496	151,944	60,045
U.S. government and treasury securities	159,554	159,554	-	-
Mortgage and asset-backed	199,212	-	199,212	-
International government	11,287	-	11,287	-
Short-term	5,480	5,480	-	-
U.S. fixed income fund	336,810	-	-	336,810
High-yield	108,961	2,318	-	106,643
Municipal	8,251	-	8,251	-
Real assets and commodity funds:				
Commingled real asset funds	109,722	-	-	109,722
Commingled real estate funds - U.S.	42,523	-	-	42,523
Private real estate funds - U.S.	4,702	-	-	4,702
Commodity fund	131	131	-	-
Hedge funds:				
Multi-strategy	41,736	-	-	41,736
Global macro	29,798	-	-	29,798
Private equity funds:				
Private equity funds - U.S.	9,296	-	-	9,296
Private equity funds - Global	2,733	-	-	2,733
Total	2,649,040	626,167	615,707	1,407,166
Cash and cash equivalents held for investment	60,740	-	-	-
Total investments	$ 2,709,780	$ 626,167	$ 615,707	$ 1,407,166

Investments as of December 31, 2014 are summarized in the following table by their classification in the fair value hierarchy (in thousands):

	Total	Level 1	Level 2	Net Asset Value
Investments:				
Equity securities and funds:				
Global and international	$ 458,064	$ 275,753	$ -	$ 182,311
U.S. large-mid cap	436,680	98,325	-	338,355
Emerging markets	96,390	59,112	-	37,278
U.S. small cap	82,777	82,777	-	-
Fixed income securities and funds:				
U.S. corporate and investment grade	269,967	2,994	221,129	45,844
Global and international	311,771	53,326	125,340	133,105
U.S. government and treasury securities	199,823	150,764	-	49,059
U.S. fixed income fund	361,425	-	-	361,425
Mortgage and asset-backed	181,640	-	95,799	85,841
International government	6,825	-	6,825	-
Short-term	39,526	-	-	39,526
High-yield	6,421	-	-	6,421
Municipal	5,905	-	2,501	3,404
Real return	39,281	-	-	39,281
Emerging markets	19,107	-	-	19,107
Real assets and commodity funds:				
Commingled real asset funds	124,037	-	-	124,037
Commodity fund	114	114	-	-
Total	2,639,753	723,165	451,594	1,464,994
Cash and cash equivalents held for investment	44,246	-	-	-
Total investments	$ 2,683,999	$ 723,165	$ 451,594	$ 1,464,994

Fixed income securities, other than U.S. Treasury securities, generally do not trade on a daily basis. The fair value estimates of such fixed income securities are based on observable market information rather than market quotes as of the measurement date. Accordingly, the estimates of fair value for such fixed income securities, as provided by the pricing service, are included in the fixed income securities amount disclosed in Level 2 of the hierarchy. The values of U.S. Treasury securities are disclosed in Level 1 of the hierarchy, based on unadjusted market prices as of the measurement date.

AARP's equity securities trade on a major exchange. Accordingly, such equity securities are disclosed in Level 1 of the hierarchy.

AARP invests in various institutional mutual funds, hedge funds, private equity funds and private real estate funds. These funds are not available to retail investors and are not publicly traded. The fair value estimates of these investments are based on NAV as provided by the respective investment manager. Because AARP uses NAV as a practical expedient for fair value, these investments are excluded from the fair value hierarchy.

Information with respect to redemption terms, strategies, risks and funding commitments for these investments is as follows (in thousands):

	2015 Fair Value	Unfunded Commitments	2014 Fair Value	Redemption Frequency	Redemption Notice Period	Redemption Restrictions
Institutional mutual funds:						
U.S. large-mid cap equity (a)	$ 418,375	n/a	$ 338,355	daily	2 days	n/a
U.S. small cap equity (b)	32,371	n/a	-	daily	2 days	n/a
Emerging markets equity (c)	31,651	n/a	37,278	semi-monthly	2 days	n/a
Global and international equity (d)	180,761	n/a	182,311	semi-monthly or monthly	none or 2 days	n/a
Global and international fixed income (e)	60,045	n/a	133,105	quarterly	30 days	n/a
U.S. fixed income fund (f)	336,810	n/a	361,425	daily	none	n/a
High-yield (g)	106,643	n/a	6,421	monthly	10 days or 45 days	n/a
Fixed income sector funds (h)	-	n/a	282,062	daily	none	n/a
Hedge funds:						
Multi-strategy (i)	41,736	n/a	-	monthly, quarterly, annually	45 - 90 days	lock-up provisions range from 2 to 3 years
Global macro (j)	29,798	n/a	-	monthly	2 - 90 days	lock-up provisions range from none to 1 year
Real assets and commodity funds:						
Commingled real asset funds (k)	109,722	n/a	124,037	daily	none	n/a
Commingled real estate funds - U.S. (l)	42,523	$ 40,000	-	quarterly	45 - 90 days	n/a
Private real estate funds - U.S. (m)	4,702	34,634	-	n/a	n/a	n/a
Private equity funds:						
Private equity funds - U.S. (n)	9,296	74,463	-	n/a	n/a	n/a
Private equity funds - Global (o)	2,733	16,379	-	n/a	n/a	n/a
	$ 1,407,166	$ 165,476	$ 1,464,994			

(a) This category is invested in one institutional mutual fund. This fund employs a passive investment strategy seeking to replicate the performance of a large-mid cap benchmark.

(b) This category is invested in one institutional mutual fund. This fund employs a passive investment strategy seeking to replicate the performance of a small-cap benchmark.

(c) This category is invested in one institutional mutual fund. The fund employs a passive investment strategy seeking to replicate the performance of an emerging market benchmark.

(d) This category is invested in two institutional mutual funds. One fund, which allows for semi-monthly redemptions and purchases, employs a passive investment strategy seeking to replicate the performance of a global, developed market index. This fund represents approximately 93% and 94% of the investment class for the years ended December 31, 2015 and 2014, respectively. Another institutional fund, which allows for monthly redemptions and purchases, employs an active investment approach as it seeks to outperform the same index as the aforementioned passive fund.

(e) This category is invested in one fixed income fund. The fund is actively managed and seeks a strategy to exceed the performance of a global, short-term index. The fund manager is given wide latitude under mutually agreed upon investment guidelines to invest in an array of investment vehicles with short-term maturities.

(f) This category is managed by one fund manager who employs four different passive funds in an effort to replicate the performance of a well-known fixed income index.

(g) This category is managed by two fund managers that invest in high-yield bonds.

(h) This category is managed by one fund manager who employs different sector funds. The fund manager is given wide latitude under mutually-agreed-upon investment guidelines to rotate in and out of sectors, such as mortgages, municipalities, short-term, etc.

(i) This class includes investments in several hedge funds that use multiple strategies to obtain absolute returns and long-term capital appreciation. The investment strategies include, but are not limited to, relative value, event driven, risk or merger arbitrage, long/short equity, convertible/derivative arbitrage, capital structure arbitrage and credit and structured credit opportunities. The funds invest in equity securities, debt securities, derivatives, and other financial instruments.

(j) This class invests in hedge funds that use directional strategies, such as long/short strategies. These funds use leverage and include global investments in a wide range of instruments including, but not limited to, equity, debt and derivatives to achieve long-term capital appreciation.

(k) This category is invested in both equity funds and a fixed income fund. The funds can provide inflation protections potential, added diversifications outside of equities and fixed income investments, and finally, additional sources of absolute return and income. During periods of stock market performance, the funds will probably underperform. Additionally, macroeconomic trends such as demand for natural resources or demand for real estate can contribute to volatility within this investment class.

(l) This class includes commingled funds which invest in multi-family, industrial, retail and commercial real estate located in the United States with the objective of seeking attractive returns, primarily through income and to a less extent capital appreciation, while limiting downside risk. The funds have both relative and real return objectives.

(m) This class includes investments in private real estate funds focused primarily on high-quality office, retail, multi-family and industrial real estate located in the largest U.S. markets. The investment objective of this class is income and capital appreciation. The nature of the investments in this class is that distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets will be liquidated over the next 3 to 10 years.

(n) This class includes investments in private equity funds with a focus on early through late stage U.S. companies with high potential growth, primarily in technology and healthcare related industries. The nature of the investments in this class is that distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets will be liquidated over the next 4 to 15 years.

(o) This class includes investments in a private equity fund which focuses on global investments including stressed and distressed opportunities as well as early-stage to later-stage companies with investments across geographies, industries and asset classes. The nature of the investments in this class is that distributions are received through liquidation of the underlying assets of the fund. It is estimated that the underlying assets will be liquidated over the next 2 to 7 years.

Investment (loss)/gain for the years ended December 31, 2015 and 2014 is as follows (in thousands):

	2015	2014
Interest and dividends	$ 40,006	$ 47,308
Net realized and unrealized (loss)/gain	(60,441)	50,146
Total	$ (20,435)	$ 97,454

Investment income, as reported on the consolidated statements of activities, is as follows (in thousands):

	2015	2014
Investment (loss)/gain	$ (17,481)	$ 92,058
Investment (loss)/gain - sinking fund	(2,954)	5,396
Total	$ (20,435)	$ 97,454

As of December 31, 2015 and 2014, $750,000,000 and $713,000,000 of consolidated investments, respectively, are held by the AARP Insurance Plan for the payment of member insurance premiums.

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, as of December 31 are as follows (in thousands):

	2015	2014
Royalties	$ 59,652	$ 59,464
Program fees	3,867	1,692
Publication advertising	12,265	13,133
Interest and dividends	3,661	1,693
Grants	10,803	8,349
Other	7,211	7,465
Accounts receivable, gross	97,459	91,796
Less: Allowance for doubtful accounts	(723)	(191)
Accounts receivable, net	$ 96,736	$ 91,605

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, as of December 31 are as follows (in thousands):

	2015	2014
Land	$ 53,023	$ 53,023
Buildings and improvements	288,294	255,232
Furniture and equipment	98,985	96,694
Computer software	203,807	208,834
Leasehold improvements	12,701	9,382
	656,810	623,165
Less: accumulated depreciation and amortization	(330,561)	(312,970)
Property and equipment, net	$ 326,249	$ 310,195

7. NOTES PAYABLE

The carrying amounts of notes payable and other long-term debt as of December 31 are as follows (in thousands):

	2015	2014
Fixed rate notes, maturing May 2031, net of discount of $778 in 2015 and $805 in 2014 (a)	$ 124,222	$ 124,195
Variable rate notes, maturing May 2031 (b)	50,000	50,000
District of Columbia Variable Rate Revenue Bonds, maturing October 2034 (c)	25,000	25,000
Total notes payable	$ 199,222	$ 199,195

The maturity dates of notes payable are as follows (in thousands):

2031	$ 175,000
2034	25,000
	$ 200,000

Total interest expense for the years ended December 31, 2015 and 2014 totaled $9,465,000 and $9,463,000, respectively.

(a) Fixed Rate Notes

On May 1, 2001, AARP, Inc. issued unsecured fixed rate notes in the aggregate amount of $125,000,000 for permanent financing of the AARP, Inc. Headquarters Building which bear interest at 7.5%. Interest is payable semi-annually. Based on the borrowing rates currently available to AARP for fixed rate bonds with similar terms and average maturities, the fair value of the $125,000,000 fixed rate debentures is approximately $166,768,000 and $179,979,000 as of December 31, 2015 and 2014, respectively.

(b) Variable Rate Notes

On May 1, 2001, AARP, Inc. issued unsecured variable rate notes in the amount of $75,000,000, for permanent financing of the AARP, Inc. Headquarters Building. The variable rates were 0.38% and 0.08% at December 31, 2015 and 2014, respectively. Interest is payable monthly. On December 1, 2004, AARP made debt repayments of $25,000,000 on the unsecured variable notes.

(c) District of Columbia Variable Rate Revenue Bonds

On October 21, 2004, the Foundation issued 30-year District of Columbia Variable Rate Revenue Bonds, Series 2004 in the amount of $25,000,000 to finance the purchase of office space located within the AARP, Inc. Headquarters Building. The bonds bear interest at a variable rate determined by the Remarketing Agent, based upon market conditions of reselling the bonds in a secondary market sale. Accrued interest is payable monthly. The Foundation may elect at any time to convert to a fixed interest rate. As of December 31, 2015 and 2014, the notes had an interest rate of 0.02% and 0.06%, respectively.

The Foundation has obtained a letter of credit to secure repayment of the bonds. The letter of credit constitutes an irrevocable obligation to pay the bond trustee up to an amount equal to the sum of the principal amount of the bonds outstanding, plus an amount equal to interest for 35 days on the principal amount of the bonds outstanding. There was no outstanding balance on the letter of credit as of December 31, 2015 and 2014. The Foundation's letter of credit expires October 21, 2020.

Revolving Credit Facility

On July 17, 2009, AARP, Inc. entered into an unsecured revolving credit facility with a maximum principal amount of $50,000,000 from a commercial bank. Borrowings under the credit facility can take the form of a base rate loan, money market loan or a LIBOR rate loan. The base rate loan is charged interest at a commercial floating rate which is the higher of (a) the 30-day LIBOR Rate plus 2.50%, and (b) the Prime Rate, in the case of the Prime Rate, as in effect for such day, such rate to change as and when such Prime Rate changes. The money market loan is charged a rate of interest as offered by the lender from time to time for any single commercial borrowing for such periods as the lender, at its discretion, may make available. The LIBOR rate loan is charged interest at a floating LIBOR rate plus 50 basis points. The credit facility expires on July 15, 2016. There were no credit facility borrowings for the years ended December 31, 2015 and 2014.

Board Designated Sinking Fund

In 2001, the AARP, Inc. Board of Directors authorized the creation and funding of a Sinking Fund for the purpose of repayment of outstanding notes payable (Note 14). The designated minimum funding is $3,600,000 per year, to be transferred on or about January 1 of each year. The balance in the Sinking Fund as of December 31, 2015 and 2014 totaled $133,291,000 and $132,645,000, respectively, and the Sinking Fund assets were included in investments in the accompanying consolidated statements of financial position. The Sinking Fund investments had net investment (losses) gains of $(2,954,000) and $5,396,000 for the years ended December 31, 2015 and 2014, respectively.

8. INCOME TAXES

The significant components of the provision for income taxes are as follows for the years ended December 31, 2015 and 2014 (in thousands):

	2015	2014
Current:		
Federal income tax	$ 4,432	$ 4,781
State income tax	1,236	641
Current income tax expense	5,668	5,422
Deferred:		
Federal income tax	(1,722)	(2,143)
State income tax	368	812
Deferred income tax benefit	(1,354)	(1,331)
Total income tax expense	$ 4,314	$ 4,091

The significant components of the net deferred tax asset, which is included in prepaid expenses and other assets in the accompanying statements of financial position at December 31, 2015 and 2014, are as follows (in thousands):

	2015	2014
Deferred income tax assets:		
Employee benefits	$ 4,197	$ 3,773
Accrued expenses	107	43
Deferred revenue	12,977	13,639
Depreciation	384	30
Total deferred income tax assets	17,665	17,485
Deferred income tax liability:		
Property tax expense	(19)	(18)
Total deferred income tax liability	(19)	(18)
Net deferred income tax asset	$ 17,646	$ 17,467

Income taxes paid by AARP, Inc., Financial Services Corp., and AARP Services during 2015 and 2014 totaled $7,036,000 and $5,164,000, respectively, and consist entirely of estimated federal and state income tax payments.

9. GRANT REVENUE

The Foundation and LCE administer grants received from federal agencies and private organizations. The two largest grant programs are described as follows:

Senior Community Service Employment Program ("SCSEP")

The SCSEP program provides subsidized assignments and job training for persons 55 and older whose income is at or below 125% of the federal poverty level. The SCSEP program is primarily funded by the U.S. Department of Labor ("DOL") with grants totaling $71,300,000 and $70,000,000 for the years ended December 31, 2015 and 2014, respectively. The current DOL commitment expires in June 2016. Management expects that this funding will be renewed.

Tax Counseling for the Elderly (Tax-Aide)

Tax-Aide provides volunteer assistance for federal and state income tax preparation assistance to low and moderate income persons throughout the country, with special attention to those 60 and older. The Tax-Aide program is primarily funded by AARP, Inc. and the Internal Revenue Service ("IRS") totaling $6,700,000 and $7,700,000 for the years ended December 31, 2015 and 2014, respectively. The current IRS commitment expires in September 2016. Management expects that this funding will be renewed.

The continuation of all grant programs beyond expiration of the current agreements is subject to future commitment of funds by sponsoring agencies (Note 15).

10. DEFINED BENEFIT PENSION PLAN

Eligible employees of AARP participate in a noncontributory defined benefit pension plan called the AARP Employees' Pension Plan (the "Pension Plan"). The Pension Plan covers all employees meeting eligibility service requirements. AARP's funding policy is to contribute an amount equal to or greater than the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as actuarially determined, calculated on a level percentage of payroll costs basis, but not greater than the maximum tax deductible limit. Pension Plan assets are invested principally in equity and fixed income securities managed by outside fund managers.

In 2015 and 2014, employer contributions to the Pension Plan totaled $45,000,000 and $30,000,000, respectively. AARP was not required to make annual minimum contributions in 2015 or 2014. AARP made a discretionary $45,000,000 contribution in 2016.

The components of net periodic pension benefit cost for the years ended December 31, 2015 and 2014 are as follows (in thousands):

	2015	2014
Service cost	$ 37,607	$ 29,764
Interest cost	43,330	39,539
Expected return on plan assets	(45,566)	(39,648)
Amortization of actuarial loss	31,881	14,804
Amortization of prior service cost	43	66
	$ 67,295	$ 44,525

The following sets forth the funded status of the Pension Plan and accrued pension liability shown in the accompanying consolidated statements of financial position at December 31 (in thousands):

	2015	2014
Change in benefit obligation:		
Benefit obligation at beginning of year	$ (983,359)	$ (739,496)
Service cost	(37,607)	(29,764)
Interest cost	(43,330)	(39,539)
Actuarial gain/(loss)	100,581	(193,020)
Benefits paid	20,767	18,460
Benefit obligation at end of year	(942,948)	(983,359)
Change in plan assets:		
Fair value at beginning of year	657,607	613,620
Actual return on plan assets	(5,741)	32,447
Contribution to the plan	45,000	30,000
Benefits paid	(20,767)	(18,460)
Fair value at end of year	676,099	657,607
Accrued pension liability	$ (266,849)	$ (325,752)

At December 31, 2015 and 2014, the accumulated benefit obligation totaled $851,016,000 and $861,272,000, respectively.

The assumptions used to determine the benefit obligation in the actuarial valuations at the December 31, 2015 and 2014 measurement dates are as follows:

	2015	2014
Discount rate	4.68 %	4.25 %
Future salary increases	4.00 %	4.00 %

The assumptions used to determine net periodic benefit cost in the actuarial valuations at December 31, 2015 and 2014 measurement dates are as follows:

	2015	2014
Discount rate	4.25%/4.10 %	5.19 %
Expected long-term rate of return on plan assets	7.50 %	7.50 %
Future salary increases	4.00 %	4.00 %

From January 1, 2015 through March 31, 2015, the discount rate used to determine net periodic benefit cost was 4.25%. The discount rate was changed to 4.10% effective April 1, 2015 in response to a curtailment within the Pension Plan.

The following benefit payments, which reflect expected future service, are expected to be paid (in thousands):

2016	$ 24,770
2017	27,172
2018	29,648
2019	32,216
2020	35,124
Years 2021 - 2025	225,317

Amounts not yet recognized as a component of net periodic benefit cost at December 31, 2015 and 2014 (in thousands):

	2015	2014
Net actuarial loss	$ 211,736	$ 292,888
Prior service cost	-	46
	$ 211,736	$ 292,934

Estimated amount to be amortized into net periodic benefit cost in 2016 is $16,370,000 from net actuarial loss.

In order to determine an appropriate return on plan assets, AARP considers its current asset allocation along with historical and expected returns that can be achieved with the various asset types in the Pension Plan. Management believes that the current asset allocation justifies an expected long-term rate of return on plan assets of 7.5%.

The weighted average asset allocation for plan assets is as follows at December 31, 2015 and 2014:

	2015	2014
Asset categories:		
Equity securities	60 %	60 %
Debt securities	35 %	35 %
Alternatives	4 %	4 %
Cash equivalents	1 %	1 %
	100 %	100 %

The targeted allocation of the investment assets in the Pension Plan is for equities to comprise 60% of the investment portfolio, debt securities to comprise 35%, and alternatives to comprise the remaining 5%. These targets are not intended to serve as a rigid constraint on the investment allocation.

The following chart sets forth the minimum and maximum positions for the various asset classes in the Pension Plan:

	Minimum	Target	Maximum
Asset class:			
Equity securities	50 %	60 %	70 %
Debt securities	30 %	35 %	40 %
Alternatives	0 %	5 %	10 %
Cash equivalents	0 %	0 %	1 %

As of December 31, 2015 and 2014, the fair value of AARP's Pension Plan assets by asset category within the fair value hierarchy is as follows (in thousands):

	2015 Total	Level 1	Level 2	Net Asset Value
Investments:				
Equity securities and funds:				
U.S. large-mid cap	$ 151,788	$ 46,965	$ -	$ 104,823
U.S. small cap	43,057	43,057	-	-
Global and international	188,374	177,791	-	10,583
Emerging markets	16,653	-	-	16,653
Fixed income securities and funds:				
Global and international	92,705	46,540	1,248	44,917
Mortgage and asset-backed	21,074	-	137	20,937
U.S. Corporate and investment grade	57,310	44,888	791	11,631
Emerging markets	15,050	10,363	-	4,687
U.S. government and treasury securities	11,667	-	-	11,667
Real return	10,070	-	-	10,070
Short-term	12,387	-	-	12,387
High-yield	15,051	10,396	-	4,655
Municipal	933	-	-	933
Commingled real asset funds	30,362	-	-	30,362
Balanced fund	5,488	-	-	5,488
Total	671,969	380,000	2,176	289,793
Cash and cash equivalents	4,130	-	-	-
Total investments	$ 676,099	$ 380,000	$ 2,176	$ 289,793

	2014 Total	Level 1	Level 2	Net Asset Value
Investments:				
Equity securities and funds:				
U.S. large-mid cap	$ 160,794	$ 50,595	$ -	$ 110,199
U.S. small cap	47,841	47,841	-	-
Global and international	159,714	148,649	-	11,065
Emerging markets	23,666	-	-	23,666
Fixed income securities and funds:				
Global and international	89,491	42,161	298	47,032
Mortgage and asset-backed	22,079	-	138	21,941
U.S. corporate and investment grade	56,211	42,852	1,643	11,716
Emerging markets	14,419	12,013	-	2,406
U.S. government and treasury securities	13,792	1,202	-	12,590
Real return	10,057	-	-	10,057
Short-term	9,623	-	-	9,623
High-yield	12,194	10,559	-	1,635
Municipal	866	-	-	866
Commingled real asset funds	31,344	-	-	31,344
Total	652,091	355,872	2,079	294,140
Cash and cash equivalents	5,516	-	-	-
Total investments	$ 657,607	$ 355,872	$ 2,079	$ 294,140

The fair values of the institutional mutual funds have been estimated using the net asset value per share of the investment. Information with respect to redemptions, strategies, risks and funding commitments for these investments as of December 31, 2015 and 2014 is as follows (in thousands):

	2015 Fair Value	2014 Fair Value	Redemption Frequency	Redemption Notice Period
Equity securities and funds:				
U.S. large - mid cap (a)	$ 104,823	$ 110,199	daily	none
Global and international fund (b)	10,583	11,065	semi-monthly	2 days
Emerging markets funds (c)	16,653	23,666	daily or semi-monthly	none or 2 days
Fixed income securities and funds:				
Various sector funds (d)	76,967	77,543	daily	none
Global and international fund (e)	44,917	40,323	monthly	15 days
Balanced fund (f)	5,488	-	daily	none
Commingled real asset funds (g)	30,362	31,344	daily	none
	$ 289,793	$ 294,140		

(a) This category is invested in two institutional mutual funds. One fund, representing 94% and 95% of the balance at 12/31/15 and 12/31/14, respectively, employs a passive investment strategy seeking to replicate the performance of a large-cap benchmark. The other fund employs a passive investment strategy to replicate the performance of a mid-cap benchmark.

(b) This category is invested in one passive fund. The fund seeks to replicate the performance of a global, developed market index.

(c) This category is invested in two institutional mutual funds. One fund is actively managed and seeks to provide returns in excess of a well-established international market index. The other fund is passively managed. Its benchmark is the same as the active fund.

(d) This category is invested with one fund manager who employs different sector funds to obtain the highest performance possible. This fund manager is given wide latitude under mutually-agreed-upon investment guidelines to rotate in and out of sectors, such as mortgages, municipalities, high-yield, etc.

(e) This category is invested in one actively managed fund. The fund seeks to provide returns in excess of a well-established international, fixed income index.

(f) This category is invested in a passively managed fund. The fund tracks an index, based upon the results from pension plans similar in size and asset exposure to AARP's Pension Plan. The objective of the fund manager is to meet the expected return of the index.

(g) This category is invested in both equity funds and a fixed income fund. The funds can provide inflation protections potential, added diversifications outside of equities and fixed income investments, and finally, additional sources of absolute return and income. During periods of stock market performance, the funds will probably underperform. Additionally, macroeconomic trends such as demand for natural resources or demand for real estate can contribute to volatility within this investment class.

The Pension Plan did not have any unfunded commitments related to the above investments as of December 31, 2015 and 2014. The Pension Plan did not have any significant transfers of assets between Levels 1 and 2 of the fair value hierarchy during 2015 and 2014.

11. POSTRETIREMENT HEALTH BENEFITS

All employees of AARP and its affiliates may become eligible for continuing health care benefits after retirement if they meet minimum age and service requirements and are covered by an AARP employee health insurance plan at the date of retirement. Healthcare benefits are provided through the AARP Employees' Welfare Plan (the "Welfare Plan").

The components of net periodic postretirement health benefit cost for the years ended December 31, 2015 and 2014 are as follows (in thousands):

	2015	2014
Service cost	$ 3,135	$ 2,172
Interest cost	4,517	3,934
Amortization of actuarial gain	-	(1,317)
Amortization of prior service credit	(666)	(702)
Curtailment	1,211	-
	$ 8,197	$ 4,087

As a result of a voluntary separation program, AARP had a curtailment charge of $1,211,000 in 2015.

The following sets forth the changes in benefit obligations, changes in plan assets, and the composition of accrued postretirement benefit cost shown in the accompanying consolidated statements of financial position at December 31 (in thousands):

	2015	2014
Change in benefit obligation:		
Benefit obligation at beginning of year	$ (98,954)	$ (75,886)
Service cost	(3,135)	(2,172)
Interest cost	(4,517)	(3,934)
Actuarial gain (loss)	6,276	(19,317)
Participant contributions	(681)	(505)
Benefits paid, net subsidy	3,381	2,860
Curtailment	(1,398)	-
Benefit obligation at end of year	(99,028)	(98,954)
Change in plan assets:		
Fair value at beginning of year	-	-
Employer contribution	2,700	2,355
Plan participants’ contributions	681	505
Benefits paid	(3,381)	(2,860)
Fair value at end of year	-	-
Accrued postretirement health benefits	$ (99,028)	$ (98,954)

As of December 31, 2015 and 2014, the weighted average discount rates used in the actuarial valuation were as follows:

	2015	2014
End of year benefit obligation	4.68 %	4.25 %
Net periodic benefit cost	4.25%/4.11 %	5.16 %

From Janauary 1, 2015 through March 31, 2015, the discount rate used to determine net periodic benefit cost was 4.25%. The discount rate was changed to 4.11% effective April 1, 2015 in response to a curtailment within the Welfare Plan.

For measurement purposes, the health care cost trend rate was 6.5% for 2015 and 6.8% for 2014 (the rate is assumed to decrease gradually to 5% in 2021 and remain level thereafter).

The following benefit payments are expected to be paid (in thousands):

2016	$ 4,320
2017	4,667
2018	4,548
2019	4,879
2020	5,182
Years 2021 - 2025	30,763

Amounts not yet recognized as a component of net periodic benefit cost at December 31, 2015 and 2014 were as follows (in thousands):

	2015	2014
Net actuarial gain	$ (9,739)	$ (3,464)
Prior service credit	(2,027)	(2,880)
	$ (11,766)	$ (6,344)

Estimated amount to be amortized into net periodic benefit cost in 2016 is $653,855 from prior service credit.

The healthcare cost trend rate assumption has a significant impact on the postretirement benefit costs and obligations. A 1% change in the assumed healthcare cost trend rate at December 31, 2015 would have resulted in a $6,564,000 increase or a $9,441,000 decrease in the accumulated postretirement benefit obligation, and a $433,000 increase or a $728,000 decrease in the 2015 aggregate service and interest cost.

A 1% change in the assumed healthcare cost trend rate at December 31, 2014 would have resulted in a $6,332,000 increase or a $9,615,000 decrease in the accumulated postretirement benefit obligation, and a $343,000 increase or a $583,000 decrease in the 2014 aggregate service and interest cost.

12. EMPLOYEE HEALTH CARE BENEFITS

AARP operates under a "pay as you go" model for employee health benefits, with obligations being funded from general corporate assets. For the years ended December 31, 2015 and 2014, expenses for the AARP Welfare Plan for current health care benefits totaled $24,539,000 and $22,262,000, respectively. As of December 31, 2015 and 2014, AARP had a liability related to these benefits of $2,888,000 and $2,921,330, respectively, which was included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

13. DEFINED CONTRIBUTION PLAN

Effective January 1, 1998, AARP and certain affiliates participate in a single-employer defined contribution plan through the AARP Employees' 401(k) Plan. To participate in the 401(k) Plan, an employee must be at least 18 years of age and have been employed for a minimum of one month of continuous service.

AARP provides an employer contribution to the 401(k) Plan, which matches 100% of employee contributions up to 3% of employee compensation, and 50% of employee contributions for the next 2% of employee compensation, up to the maximum limit allowed by law. For the years ended December 31, 2015 and 2014, AARP employer contributions to this plan totaled $10,763,000 and $10,292,000, respectively.

14. BOARD DESIGNATED UNRESTRICTED NET ASSETS

Board designated unrestricted net assets at December 31, 2015 and 2014 are available to fund the following (in thousands):

	2015	2014
Debt retirement sinking fund	$ 133,291	$ 132,645
Investment earnings reserve	666,289	689,223
Innovation fund	-	50,000
Foundation quasi-endowment	17,139	17,983
Foundation board designated operating reserve	50,857	28,473
LCE quasi-endowments	4,020	4,111
Board designated net assets	$ 871,596	$ 922,435

15. COMMITMENTS AND CONTINGENCIES

Lease Commitments

AARP leases offices, information centers, and warehouse facilities in 96 locations in the U.S. and its territories under operating leases with various lease terms. Total rent expense incurred under operating leases totaled $20,590,000 and $19,564,000 in 2015 and 2014, respectively.

Future minimum lease payments, exclusive of additional operating costs, at December 31, 2015 are (in thousands):

2016	$	17,485
2017		13,834
2018		12,486
2019		10,773
2020		9,544
2021 - 2026		19,561
Total	$	83,683

Contingencies

The Foundation and LCE receive a majority of their revenue from government grants, which are subject to audit by various federal and state agencies. The ultimate determination of amounts received under these grants generally is based upon allowable costs reported to and audited by the governments or their designees. The liabilities, if any, arising from such compliance audits cannot be determined at this time. In the opinion of management, adjustments resulting from such audits, if any, will not have a significant effect on the financial position, changes in net assets or cash flow of the Foundation or LCE.

In the normal course of business, AARP is subject to various claims and lawsuits. Certain lawsuits may be covered, in full or in part, by external insurance coverage. In the opinion of management, there are no matters outstanding that would have a material adverse effect on the consolidated financial statements of AARP.

16. SUBSEQUENT EVENTS

AARP evaluated its December 31, 2015 consolidated financial statements for subsequent events through March 17, 2016, the date the consolidated financial statements were available to be issued. AARP is not aware of any material subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.