



**PHYSICIANS
FOR PEACE**

teach one. heal many.

Financial Statements

Years Ended December 31, 2016 with Comparative Totals for 2015

DHG
DIXON HUGHES GOODMAN LLP

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Independent Auditors' Report

Board of Directors
Physicians for Peace
Norfolk, Virginia

We have audited the accompanying financial statements of Physicians for Peace (Organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Physicians for Peace as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Report on Summarized Comparative Information

We have previously audited Physicians for Peace's 2015 financial statements, and expressed an unmodified opinion on those financial statements in our report dated May 3, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dixon Hughes Goodman LLP

Norfolk, Virginia
June 2, 2017

Physicians for Peace
Statement of Financial Position
December 31, 2016 with Comparative Totals for 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 143,956	\$ 153,295
Current portion of promises to give	9,664	13,100
Grants receivable	-	19,780
Other receivables	-	1,251
Prepaid expenses	-	5,173
	<u>153,620</u>	<u>192,599</u>
Total current assets	153,620	192,599
Furniture and equipment, net	1,899	6,683
Investments	3,192,765	4,535,718
Promises to give, net of current portion	-	9,764
Deposits	11,151	15,136
	<u>\$ 3,359,435</u>	<u>\$ 4,759,900</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 19,273	\$ 42,448
Accrued rent	9,227	29,405
	<u>28,500</u>	<u>71,853</u>
Total liabilities	28,500	71,853
Net assets:		
Unrestricted	45,319	5,351
Unrestricted, board designated	3,192,765	4,535,718
Temporarily restricted	52,851	106,978
Permanently restricted	40,000	40,000
	<u>3,330,935</u>	<u>4,688,047</u>
Total net assets	3,330,935	4,688,047
	<u>\$ 3,359,435</u>	<u>\$ 4,759,900</u>

See accompanying notes.

Physicians for Peace
Statement of Activities and Net Assets
Year Ended December 31, 2016 with Comparative Totals for 2015

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total 2016	Total 2015
Public support and revenue:					
In-kind contributions, services and other	\$ 445,870	\$ -	\$ -	\$ 445,870	\$ 764,977
In-kind contributions, supplies	-	-	-	-	1,536,042
	<u>445,870</u>	<u>-</u>	<u>-</u>	<u>445,870</u>	<u>2,301,019</u>
Contributions and promises to give income	266,212	1,000	-	267,212	410,690
Grant income	-	29,670	-	29,670	54,395
Gain on sale of furniture and equipment	691	-	-	691	670
Special events revenue	-	-	-	-	22,085
Rental income	-	-	-	-	9,600
	<u>266,903</u>	<u>30,670</u>	<u>-</u>	<u>297,573</u>	<u>497,440</u>
Net assets released from restrictions	<u>84,797</u>	<u>(84,797)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support, revenue and other income	<u>797,570</u>	<u>(54,127)</u>	<u>-</u>	<u>743,443</u>	<u>2,798,459</u>
Expenses:					
Program services	1,347,681	-	-	1,347,681	6,608,106
Management and general	274,286	-	-	274,286	374,397
Fundraising	645,309	-	-	645,309	523,240
	<u>2,267,276</u>	<u>-</u>	<u>-</u>	<u>2,267,276</u>	<u>7,505,743</u>
Change in net assets from operations	<u>(1,469,706)</u>	<u>(54,127)</u>	<u>-</u>	<u>(1,523,833)</u>	<u>(4,707,284)</u>
Investment income (expense):					
Investment income	75,912	-	-	75,912	102,696
Investment expenses	(29,856)	-	-	(29,856)	(27,798)
Net realized and unrealized gains	120,665	-	-	120,665	35,640
	<u>166,721</u>	<u>-</u>	<u>-</u>	<u>166,721</u>	<u>110,538</u>
Change in net assets	<u>(1,302,985)</u>	<u>(54,127)</u>	<u>-</u>	<u>(1,357,112)</u>	<u>(4,596,746)</u>
Net assets, beginning of year	<u>4,541,069</u>	<u>106,978</u>	<u>40,000</u>	<u>4,688,047</u>	<u>9,284,793</u>
Net assets, end of year	<u>\$ 3,238,084</u>	<u>\$ 52,851</u>	<u>\$ 40,000</u>	<u>\$ 3,330,935</u>	<u>\$ 4,688,047</u>

See accompanying notes.

Physicians for Peace
Statement of Functional Expenses
Year Ended December 31, 2016 with Comparative Totals for 2015

	Program Expenses	Management and General	Fundraising	Total 2016	Total 2015
Donated services	\$ 338,548	\$ -	\$ 107,322	\$ 445,870	\$ 764,977
In-kind donations	-	-	-	-	4,470,376
	<u>338,548</u>	<u>-</u>	<u>107,322</u>	<u>445,870</u>	<u>5,235,353</u>
Staff costs	543,452	200,880	392,770	1,137,102	1,415,815
Local mission support	169,741	-	-	169,741	205,639
Rent and occupancy	72,136	20,598	36,860	129,594	159,818
Consulting fees	66,208	2,238	10,957	79,403	108,772
Technology and equipment	28,880	11,447	22,134	62,461	85,171
Mission travel	69,732	-	-	69,732	131,363
Professional fees	15,605	28,750	11,289	55,644	24,780
Direct mail, annual report, photo/video	-	-	53,049	53,049	33,000
Medical equipment and supplies	25,912	-	-	25,912	12,247
Office expense	8,851	3,862	7,732	20,445	34,958
Insurance	7,516	1,785	3,196	12,497	17,567
Depreciation	-	4,726	-	4,726	7,541
Shipping	1,030	-	-	1,030	15,192
Other	70	-	-	70	1,134
Special events	-	-	-	-	17,393
	<u>1,009,133</u>	<u>274,286</u>	<u>537,987</u>	<u>1,821,406</u>	<u>2,270,390</u>
	<u>\$ 1,347,681</u>	<u>\$ 274,286</u>	<u>\$ 645,309</u>	<u>\$ 2,267,276</u>	<u>\$ 7,505,743</u>

See accompanying notes.

Physicians for Peace
Statement of Cash Flows
Year Ended December 31, 2016 with Comparative Totals for 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,357,112)	\$ (4,596,746)
Adjustments to reconcile to net cash from operating activities:		
Depreciation	4,726	7,541
Gain on sale of furniture and equipment	(691)	(670)
Net realized and unrealized gains on investments	(120,665)	(35,640)
Inventory write-offs	-	57,141
Change in:		
Promises to give	13,200	19,890
Grants receivable	19,780	(19,780)
Other receivables	1,251	16,163
Prepaid expenses	5,173	(363)
Inventory	-	2,877,393
Deposits	3,985	-
Accounts payable and accrued expenses	(43,353)	(39,420)
Other current liabilities	-	(1,600)
Net cash from operating activities	<u>(1,473,706)</u>	<u>(1,716,091)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	3,546,645	5,004,564
Purchase of investments	(2,083,027)	(3,491,949)
Proceeds from sale of furniture and equipment	749	1,651
Net cash from investing activities	<u>1,464,367</u>	<u>1,514,266</u>
Net change in cash and cash equivalents	(9,339)	(201,825)
Cash and cash equivalents, beginning of year	<u>153,295</u>	<u>355,120</u>
Cash and cash equivalents, end of year	<u>\$ 143,956</u>	<u>\$ 153,295</u>

See accompanying notes.

Notes to Financial Statements

1. Organization and Nature of Activities

Physicians for Peace (Organization) is a private, not-for-profit, organization founded in 1989. Based in Virginia, the Organization works to end inequalities in global healthcare by training, supporting and empowering healthcare professionals who are working with the world's underserved populations.

2. Summary of Significant Accounting Policies

Basis of presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

Unrestricted net assets are available for use in general operations unless designated by the Board of Directors.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of assets whose use is stipulated by donors for specific operating purposes and time restricted promises to give. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and net assets as net assets released from restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets consist of assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization. The restrictions stipulate that resources be maintained permanently but permits the Organization to expend the income generated in accordance with the provisions of the agreement.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

Investments

The Organization's investments consist of various cash and cash equivalents, bonds, and equity securities maintained in different investment brokerage accounts and an investment in a limited partnership. The Organization's investments are reported at their fair values. Unrealized and realized gains and losses on investments are recognized in the statement of activities and net assets as increases or decreases in unrestricted net assets.

**Physicians for Peace
Notes to Financial Statements**

Contributions

Contributions, which include unconditional promises to give, are recognized as revenue in the period received. Promises to give consist of unconditional promises to give that are expected to be collected in future years and are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contributions and promises to give revenue. Management reviews promises to give yearly to determine the need for any allowance. Once management determines that a promise to give is unlikely to be collected, an allowance is provided. After all attempts to collect a promise to give have failed, the promise to give is written off against the allowance. Conditional promises to give are not included as support until the conditions are substantially met. Management has determined that no allowance was needed as of December 31, 2016.

Grants

Grants are promises to give, conditioned on future events. Grant income is not recognized until the donor conditions are met. Grants receivable represents amounts due to the Organization upon meeting the grant requirements. Receivables are stated at the amount management expects to collect from balances outstanding. Management closely monitors outstanding balances throughout the year, and writes off all balances that are considered uncollectible. Management has determined that no allowance was needed as of December 31, 2016.

Furniture and equipment

Furniture and equipment are recorded at cost, or if donated, such assets are capitalized at the estimated fair value at the date of receipt. It is the Organization's policy to capitalize all purchases of furniture and equipment above \$1,000. When assets are sold or otherwise disposed, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5 years
Furniture	5 - 7 years
Software	5 years

Donated services and other

The Organization records donated services which consist primarily of time spent by doctors, nurses, and other health practitioners in clinical and educational areas of the Organization's programs. Donated services are recorded at the respective fair values when the services are received and were valued at \$338,548 during 2016.

The Organization also receives donations of items and professional services related to their fundraising activities and daily operations. Such items include donated advertising, discounted shipping, and auction items. These gifts are recorded at their estimated fair value at the date of donation and were valued at \$107,322 during 2016.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Advertising costs

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$48,094 in 2016.

Concentration of credit risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, and promises to give.

The Organization places its cash and cash equivalents with high credit quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, the Organization places deposits in financial institutions that may be in excess of federal insured limits. The Organization has not experienced any financial loss related to such deposits.

The Organization has investments in brokerage accounts in excess of the amount protected by the Securities Investor Protection Corporation (SIPC). In monitoring this credit risk, the Organization periodically evaluates the stability of these brokerage accounts. At December 31, 2016, the Organization's unprotected investments over the SIPC limit of \$500,000 were \$2,557,666.

At December 31, 2016, one promise to give represents 100% of the outstanding promises to give balance.

Functional allocation of expenses

The costs of providing the various programs and services have been summarized on a functional basis in the statements of activities and net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Comparative information

The financial statements include certain prior year summarized comparative information in total but not by restriction. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's detailed financial statements for 2015 from which the summarized information was derived.

Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 2, 2017, the date the financial statements were available to be issued.

3. Promises to Give

At December 31, 2016, promises to give consist of one unconditional promise to give due in 2017 for \$9,664.

4. Investments

Investments consist of the following:

Cash funds	\$ 745,454
Fixed income securities	2,239,395
Equity securities	72,817
Alternative investment	<u>135,099</u>
	<u>\$ 3,192,765</u>

The Organization is a limited partner in a private limited partnership (shown as an alternative investment above). The investment in this limited partnership has been valued at the respective limited partner's share of the net asset values as reported by the private limited partnership.

Investment return consists of the following:

Interest and dividends	\$ 75,912
Net realized gains	149,700
Net unrealized losses	<u>(29,035)</u>
	<u>\$ 196,577</u>

Investment fees were \$29,856 for 2016.

5. Fair Value Measurements

The Organization follows a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Physicians for Peace
Notes to Financial Statements

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization's financial instruments consisted of the following at December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
U.S. equity securities	\$ 72,817	\$ -	\$ -	\$ 72,817
Fixed income securities	2,239,395	-	-	2,239,395
Limited partnership	-	-	135,099	135,099
Cash fund	<u>745,454</u>	<u>-</u>	<u>-</u>	<u>745,454</u>
	<u>\$ 3,057,666</u>	<u>\$ -</u>	<u>\$ 135,099</u>	<u>\$ 3,192,765</u>

Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Level 3 investments consist of securities held by the limited partnership that do not have readily determinable fair values. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The following table is the 2016 rollforward of the statement of financial position amounts for financial instruments classified by the Organization within Level 3 of the valuation hierarchy defined above:

Fair value December 31, 2015	\$ 184,742
Realized gain on investment	36,909
Sales	<u>(86,552)</u>
Fair value December 31, 2016	<u>\$ 135,099</u>
Amount of net realized gains related to financial instruments held at December 31, 2016 included in the statement of activities and net assets	<u>\$ 36,909</u>

Physicians for Peace
Notes to Financial Statements

6. Furniture and Equipment

Furniture and equipment consist of the following:

Equipment	\$	15,703
Furniture		38,856
Software		<u>67,948</u>
		122,507
Accumulated depreciation		<u>(120,608)</u>
	\$	<u>1,899</u>

Depreciation expense for 2016 was \$4,726.

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

Accounts payable	\$	7,058
Accrued vacation		<u>12,215</u>
	\$	<u>19,273</u>

8. Net Assets

Net assets consist of the following:

Unrestricted:		
Unrestricted	\$	45,319
Unrestricted, board designated		<u>3,192,765</u>
Total unrestricted	\$	<u>3,238,084</u>
Temporarily restricted:		
Time restricted promises to give	\$	9,664
Program specific:		
Other		27,251
Walking free		<u>15,936</u>
Total temporarily restricted	\$	<u>52,851</u>
Permanently restricted:		
General endowment	\$	<u>40,000</u>

9. Employee Retirement Plan

The Organization maintains a 403(b) defined contribution retirement plan for eligible employees. Employees who are 18 years of age and older are eligible to defer a portion of eligible compensation subject to the maximum amounts allowable under the Internal Revenue Code. After one year of service, the Organization matches up to 2.5% of an employee's eligible compensation. In addition, in 2016, the Organization made a discretionary contribution of 2.5% of each eligible employee's eligible compensation. The Organization incurred \$18,934 in pension expense for 2016.

10. Endowment Funds

The Organization's endowment consists of one fund which is included in investments. This fund is a donor-restricted endowment fund established for a variety of purposes. As required by GAAP, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Virginia state legislature in 2008. The law gives guidance for investment and spending practices, giving consideration for donor intent and the Organization's overall resources and charitable purpose. Based on their interpretation of law and in compliance with donor intent, the Organization classifies as permanently restricted net assets, the original value of gifts donated to the permanent endowment.

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 the state UPMIFA law. The Organization appropriates expenditures from time-to-time as a specific need arises. Previously, accumulations on endowment funds with no purpose restriction were classified as unrestricted net assets. The interpretation of the new law did not result in any reclassifications from unrestricted net assets due to the Organization having previously expended all earnings from the endowment assets.

A summary of the activity in the endowment fund for the year ended December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 40,000	\$ 40,000
Investment return:				
Investment income	648	-	-	648
Net appreciation (realized and unrealized gain)	1,030	-	-	1,030
Total investment return	1,678	-	-	1,678
Appropriation of endowment:				
Assets for expenditures	(1,678)	-	-	(1,678)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>

**Physicians for Peace
Notes to Financial Statements**

In accordance with state UPMIFA law, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the executive committee, the endowment assets are invested in a manner that is intended to maximize long-term growth using a balanced approach with less than full stock market risk and volatility.

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).

11. Commitments

The Organization leases office equipment and office and warehouse spaces under various agreements. The office equipment lease is for \$986 per month and expires November 2017.

The term of the Virginia office space lease began on August 1, 2010, and ends on May 31, 2017. The monthly rent is \$8,151 with escalating monthly payments in future years and includes eight months of free rent. Under the terms of this lease, the Organization is obligated to pay escalation rentals for certain operating expenses and real estate taxes. There is an option to renew for an additional five years, six months prior to the expiration of the lease. As of December 31, 2016, the Organization has elected not to renew the lease.

The Organization also leased warehouse space. The warehouse lease was \$4,620 per month and expired in May 2016.

Future minimum lease payments under these operating leases are \$49,180 for the year ending December 31, 2017. Rent expense for 2016 was \$129,594.

12. Subsequent Event

In order to minimize its cost, the Organization subleased a portion of its office space to a tenant at below fair market value beginning in February 2017. Under the terms of the lease, tenant shall pay base rent of \$3,000 per month expiring on April 30, 2017.