

FRIENDSHIP FORCE INTERNATIONAL, INC.

FINANCIAL STATEMENTS
Together with
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2016 AND 2015

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July 25, 2017

INDEPENDENT AUDITOR 'S REPORT

To the Board of Directors of
Friendship Force International, Inc .

We have audited the accompanying financial statements of Friendship Force International, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friendship Force International, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Long & Company, P.C.

Long & Company, P.C.

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FRIENDSHIP FORCE INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

Assets	2016	2015
Current Assets:		
Cash and cash equivalents	\$ 409,207	\$ 490,209
Grants receivable	75,560	66,690
Other receivables	924	21,444
Prepaid expenses	53,945	73,980
Promotional materials	-	4,197
Total Current Assets	539,636	656,520
Property & Equipment, Net	105,047	39,790
Other Assets:		
Deposits	5,658	9,167
Total Other Assets	5,658	9,167
Total Assets	\$ 650,341	\$ 705,477
Liabilities And Net Assets		
Current Liabilities:		
Accounts payable	\$ 27,145	47,847
Accrued Rent	29,663	-
Deferred revenue	161,735	191,091
Total Liabilities	218,543	238,938
Net Assets		
Unrestricted	289,533	308,554
Temporarily restricted	142,265	157,985
Total Net Assets	431,798	466,539
Total Liabilities And Net Assets	\$ 650,341	\$ 705,477

See accompanying notes which are an integral part of these financial statements

FRIENDSHIP FORCE INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Exchange fees	\$ 1,418,537	\$ -	\$ 1,418,537
Club affiliation fees	176,759	-	176,759
Annual Fund contributions	-	54,270	54,270
Government grants	82,720	-	82,720
Investment return	60	-	60
Other income	45,576	-	45,576
Net assets released from restrictions	69,990	(69,990)	-
Total Revenue, Gains and Other Support	1,793,642	(15,720)	1,777,922
Expenses and Losses			
Program Services	1,420,627	-	1,420,627
Supporting Services:			
Management and general	322,259	-	322,259
Fundraising	68,217	-	68,217
Total Supporting Services	390,476	-	390,476
Total Expenses	1,811,103	-	1,811,103
Loss on Disposal of Property & Equipment	1,560	-	1,560
Total Expenses and Losses	1,812,663	-	1,812,663
Change In Net Assets	(19,021)	(15,720)	(34,741)
Net Assets-Beginning of Year	308,554	157,985	466,539
Net Assets-End of Year	\$ 289,533	\$ 142,265	\$ 431,798

See accompanying notes which are an integral part of these financial statements

FRIENDSHIP FORCE INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Exchange fees	\$ 1,357,497	\$ -	\$ 1,357,497
Club affiliation fees	203,352	-	203,352
Annual Fund contributions	-	125,217	125,217
Government grants	69,607	-	69,607
Investment return	173	-	173
Other income	27,469	-	27,469
Net assets released from restrictions	21,906	(21,906)	-
Total Revenue, Gains and Other Support	1,680,004	103,311	1,783,315
Expenses and Losses			
Program Services	1,251,565	-	1,251,565
Supporting Services:			
Management and general	357,786	-	357,786
Fundraising	68,951	-	68,951
Total Supporting Services	426,737	-	426,737
Total Expenses	1,678,302	-	1,678,302
Theft Loss	9,750	-	9,750
Total Expenses and Losses	1,688,052	-	1,688,052
Change In Net Assets	(8,048)	103,311	95,263
Net Assets-Beginning of Year	316,602	54,674	371,276
Net Assets-End of Year	\$ 308,554	\$ 157,985	\$ 466,539

See accompanying notes which are an integral part of these financial statements

FRIENDSHIP FORCE INTERNATIONAL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016				2015			
	Program Services	Supporting Services Management & General	Supporting Services Fundraising	Total	Program Services	Supporting Services Management & General	Supporting Services Fundraising	Total
Direct exchange costs	\$ 567,465	\$ -	\$ -	\$ 567,465	\$ 466,435	\$ -	\$ -	\$ 466,435
Salaries	427,145	128,081	36,905	592,131	432,083	166,824	41,778	640,685
Fringe benefits	104,004	31,186	8,986	144,176	97,610	37,686	9,438	144,734
Depreciation	5,358	2,679	893	8,930	3,795	1,898	633	6,326
Insurance	11,303	1,005	251	12,559	12,183	1,083	271	13,537
Miscellaneous general expenses	14,575	31,444	2,052	48,071	23,027	50,594	2,549	76,170
Office rent	56,342	3,674	1,225	61,241	48,492	3,163	1,054	52,709
Printing, publications, & postage	-	4,035	-	4,035	-	4,591	-	4,591
Professional services	-	80,804	-	80,804	-	48,186	-	48,186
Professional services-external PT Staff	78,828	-	-	78,828	63,321	-	-	63,321
Program development	69,990	-	-	69,990	21,906	-	-	21,906
Public relations	10,990	360	10,918	22,268	6,811	3,649	6,081	16,541
Supplies	2,733	2,731	1,366	6,830	1,822	1,822	911	4,555
Telephone	5,622	5,622	2,811	14,055	4,069	4,069	2,035	10,173
Travel accommodations	63,781	28,147	1,564	93,492	64,277	24,012	1,334	89,623
Website	2,491	2,491	1,246	6,228	5,734	5,734	2,867	14,335
Executive Search	-	-	-	-	-	4,475	-	4,475
Total	\$ 1,420,627	\$ 322,259	\$ 68,217	\$ 1,811,103	\$ 1,251,565	\$ 357,786	\$ 68,951	\$ 1,678,302

See Accompanying Notes which are an Integral Part of These Financial Statements

FRIENDSHIP FORCE INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (34,741)	\$ 95,263
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	8,930	6,326
Loss on Disposal of Property and Equipment	1,560	-
Donated Property and Equipment	-	(2,570)
(Increase) decrease in operating assets:		
Grants receivable	(8,870)	(7,392)
Other receivable	20,520	(10,335)
Prepaid expenses	20,035	(34,889)
Promotional Materials	4,197	787
Deposits	3,509	(5,658)
Increase (decrease) in operating liabilities:		
Accounts payable	(20,702)	34,048
Severance payable	-	(29,882)
Accrued rent	29,663	-
Deferred revenue	(29,356)	(20,169)
Net Cash Provided (Used) by Operating Activities	<u>(5,255)</u>	<u>25,529</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	<u>(75,747)</u>	<u>(34,139)</u>
Net Cash Provided (Used) by Investing Activities	<u>(75,747)</u>	<u>(34,139)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(81,002)	(8,610)
Cash and Cash Equivalents at Beginning of Year	<u>490,209</u>	<u>498,819</u>
Cash and Cash Equivalents at End of Year	<u>\$ 409,207</u>	<u>\$ 490,209</u>
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Donation of Office Furniture Received	<u>\$ -</u>	<u>\$ 2,570</u>

See accompanying notes which are an integral part of these financial statements

FRIENDSHIP FORCE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Friendship Force International, Inc. ("FFI") was incorporated on March 17, 1977 as a non-profit corporation under the laws of the State of Georgia. FFI is operated exclusively for international educational exchange and charitable purposes. FFI's primary mission is to promote global understanding across the barriers that separate people, using short-term exchange visits involving "citizen ambassadors" who travel and are hosted by Friendship Force member clubs in other countries. FFI is funded primarily by exchange fees and club affiliation fees.

FFI's main function is to develop and maintain a global network of local Friendship Force clubs, each of which is an independent, volunteer-led organization that operates in accordance with the policies established by FFI's Board of Directors. Each club receives an annual assignment from Friendship Force International, Inc. to operate one or more exchanges with partner clubs. FFI's staff monitors and supports the efforts of the local exchange communities. In addition, FFI develops new clubs and evaluates exchange performance to ensure proper control.

Each club is responsible for conducting its exchange and for submitting appropriate administrative and membership fees to Friendship Force International, Inc. The accompanying financial statements do not reflect the activities of these local clubs or exchange committees, since, in the opinion of management, such activities do not come under Friendship Force International, Inc.'s financial accountability.

To supplement the exchanges sponsored by the Friendship Force club network, FFI develops partnerships with external organizations for the purpose of organizing goodwill exchanges for special groups. In 2016 and 2015, FFI continued its relationship with The Open World Leadership Center.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"). Accordingly, FFI 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) based upon the existence or absence of donor-imposed restrictions.

Estimates

Preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

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

FRIENDSHIP FORCE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

FFI carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. FFI maintains one brokerage account but had no investment activity during the year ended December 31, 2016. The brokerage money market account is classified as cash and cash equivalents.

Promises to Give and Contributions

Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the support is recognized.

Grant Revenue

Grant revenue was received in 2016 and 2015 from Open World Leadership Center. FFI recognizes grant revenue to the extent of related expenses incurred or services provided in compliance with the grant provisions.

Annual Fund Contributions

FFI marked its 35th anniversary in 2012. During 2012, FFI launched a Global Expansion Plan. The Global Expansion Plan involves club expansion, expanding themed exchanges, and new programs. Contributions to the Legacy Fund were made in 2016 and 2015 to support the Global Expansion. Those contributions are held as temporarily restricted funds until the Board of Directors appropriates the funds for expenditure.

Exchange Fees

Exchange fee revenue is derived from payments made to FFI by club ambassadors for management of the exchanges. Payments are also received as advance deposits for travel related costs and pass through host fees. Exchange fee revenue and related costs are generally recognized at the time the exchange occurs.

Club Affiliation Fees

Club affiliation fees are recognized as revenue over the term covered by the fees, which is generally the calendar year. Club affiliation fees are \$15 per individual and \$25 per family as of December 31, 2016.

FRIENDSHIP FORCE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

Deferred revenue results from FFI receiving exchange fees in advance of the exchange dates. It also includes club affiliation fees received in advance of the period covered by the fees.

Property and Equipment

Property and equipment are stated at cost or fair market value when received. Acquisitions of property and equipment or repairs, maintenance, or betterments that materially prolong the useful lives of assets in excess of \$500 are capitalized. Depreciation of property is computed on a straight-line basis over the estimated service lives of the assets. The following lives have been assigned to the capitalized assets:

Computer Equipment	3 years
Furniture and Fixtures	5 years
Network/Database/Website	5 years
Leasehold Improvements	5 years

Donations of property and equipment are recorded as support at their estimated fair market value. Such donations are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions regarding their use and contributions of cash that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long the long-lived assets must be maintained, FFI reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service. FFI reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Tax-Exempt Status

FFI qualifies as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. FFI is not classified as a private foundation. The tax-exempt status of FFI does not extend to the local Friendship Force clubs which must apply for their own tax-exempt status.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, FFI may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of FFI and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2016 and 2015.

FRIENDSHIP FORCE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

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

Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In determining fair value, FFI uses various methods including market, income and cost approaches. Based on these approaches, FFI often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. FFI utilizes valuation techniques that maximize the use of observable inputs and minimize the use on unobservable inputs. SFAS 157 establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. These three general valuation techniques that may be used to measure fair value are as follows:

- **Level 1** – quoted prices (unadjusted) in active markets that are accessible at the measurement date for the assets or liabilities;
- **Level 2** – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and
- **Level 3** – unobservable inputs are used when little or no market data is available

Note 2 – RECEIVABLES

Grant Receivable

Grant receivable consisted of \$66,690 as of December 31, 2016 and \$59,298 as of December 31, 2015 representing amounts due from the Federal Government Open World Leadership Center grant. Amounts were considered fully collectible and due within one year.

Other Receivables

Other receivables as of December 31, 2016 and 2015 represented amounts due from various resources including travel commissions, and other reimbursements. These receivables were fully collectible and due within one year.

Note 3 – PROMOTIONAL MATERIALS INVENTORY

Promotional materials inventory is stated at original cost, and consists of various items on hand at the end of the year, such as medals, pins, books, and publications used to promote FFI and its programs. The amount reported in the financial statements is based on a physical inventory taken during the year. Obsolete items are written off each year based on management's estimate of the value or usefulness of the materials. The amount of materials on hand at the end of December 31, 2016 and 2015 was \$-0-, and \$4,197, respectively.

FRIENDSHIP FORCE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 4 - INVESTMENTS

Investments consisted of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Investment return is summarized as follows:		
Interest and dividend income	\$ 60	\$ 173
	<u>\$ 60</u>	<u>\$ 173</u>

As of December 31, 2016, and 2015, FFI's investment consisted of a money market account which is classified as cash and cash equivalents on the statements of financial position.

Note 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Furniture & Fixtures	\$ 7,865	\$ 7,865
Computer Equipment	24,079	26,932
Computer Network/Website	12,973	77,662
Leasehold Improvements	1,887	1,887
	<u>\$ 46,804</u>	<u>\$ 114,346</u>
Accumulated Depreciation	<u>(24,250)</u>	<u>(94,149)</u>
Total Property and Equipment Being Depreciated	<u>22,554</u>	<u>20,197</u>
Property and Equipment not Depreciated:		
Website Costs Not in Service	<u>82,493</u>	<u>19,593</u>
Total Property and Equipment not Depreciated	<u>82,493</u>	<u>19,593</u>
Total Property and Equipment - Net	<u>\$ 105,047</u>	<u>\$ 39,790</u>
Depreciation Expense	<u>\$ 8,930</u>	<u>\$ 6,326</u>

FFI began upgrading its website and database during 2015 and has incurred \$82,493 of costs to date. The upgrades were in progress at December 31, 2016. The website and database upgrades will be completed in 2017, at which time the assets will be placed in service and will be depreciated.

FRIENDSHIP FORCE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are those resources currently available for use, but expendable only for purposes specified by the donor. Temporarily restricted net assets were available for the following purposes as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Annual Fund: Club Development and Expansion	\$ 55,598	\$ 90,307
Annual Fund: Technology Upgrades	<u>86,667</u>	<u>67,678</u>
Total	<u>\$ 142,265</u>	<u>\$ 157,985</u>

Note 7 – CONCENTRATION OF CREDIT RISK –DEPOSITS IN EXCESS OF INSURED LIMITS

FFI maintains demand deposit accounts with a federally insured bank in the United States. FFI also maintains a demand account in the United Kingdom, which is not federally insured. The value of that account is subject to currency exchange fluctuations. Cash and cash equivalents reported on the statements of financial position also include funds held in a money market mutual fund in a brokerage account. That account is covered by Securities Investor Protection Corporation (SIPC), but it is not insured by the FDIC or otherwise guaranteed by the U.S. Government. FFI's cash and cash equivalents in excess of FDIC coverage was approximately \$154,380 and \$218,197 at December 31, 2016 and 2015, respectively. Management has considered the financial strength of the financial institutions and considers the risk of loss to be minimal.

Note 8 - RETIREMENT PLAN

Friendship Force International, Inc. offers its eligible employees a SIMPLE-IRA retirement plan. Employees may contribute the maximum allowed under the Internal Revenue Code. FFI matches employee contributions up to 3% of compensation. Employer contributions for the year ended December 31, 2016, and 2015 were \$8,363, and \$10,331, respectively.

Note 9 - LINE OF CREDIT

FFI has available a line of credit with a bank. Maximum borrowings under the line are \$125,000. Borrowings bear interest at the bank's prime rate plus 5%. The line-of-credit is secured by FFI's equipment, receivables, and inventory. The line of credit expires January 19, 2017. As of December 31, 2016, and December 31, 2015, FFI had no balance outstanding on the line of credit.

Note 10 - COMMITMENTS AND CONTINGENCIES

Grant Commitments

Federal awards require the fulfillment of certain conditions as set forth in the contracts. Failure to fulfill the conditions could result in the return of funds to grantors. Although the return of funds is a possibility, the Board of Directors deems the contingency unlikely since, upon accepting the grants, FFI has agreed to comply with the provisions thereof.

FRIENDSHIP FORCE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 10 - COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases

FFI is obligated under an operating lease for its office facilities. The lease commenced on January 1, 2016 with a term of eighty-four (84) months. The lease calls for monthly rent payments of \$2,440 per month for the first year with annual escalations in subsequent years. FFI will also be responsible for its share of the landlord's operating costs. A security deposit in the amount of \$5,658 was paid to the landlord and is reported on the statement of financial position as a deposit.

Rent payments required under the lease agreement are being amortized over the 84-month lease term on a straight-line basis. Accrued rent reported on the statement of financial position represents the amount of rent expense recognized in the financial statements in excess of required rent payments made.

Future minimum lease payments are as follows:

Years ended December 31:	
2017	60,018
2018	61,514
2019	63,043
2020	64,605
2021	66,231
2022	<u>66,880</u>
	<u>\$ 382,291</u>

Note 11 – 2015 THEFT LOSS

In May of 2015, \$9,750 was stolen from FFI through a fraudulent wire transfer. This was the result of an email spoofing scam initiated from outside the Organization. An email was received by the accounting staff that appeared to be from FFI's President/CEO instructing the accounting department to make a wire transfer to a bank in Turkey for a project in which FFI was involved. The original email turned out to be fake and was a successful attempt to steal funds. Management notified authorities as well as its bank but was not able to reverse the transfer or recover the funds. The loss is reported in the statement of activities for the year ended December 31, 2016. Management has taken action to prevent this from occurring in the future.

Note 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 25, 2017, which is the date the financial statements were available to be issued.