

FRIENDSHIP FORCE INTERNATIONAL, INC.

FINANCIAL STATEMENTS  
Together with  
INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2017 AND 2016

FRIENDSHIP FORCE INTERNATIONAL, INC.

FINANCIAL STATEMENTS  
Together with  
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2017 AND 2016

---

<u>TABLE OF CONTENTS</u>	<u>Page</u>
• Independent Auditor's Report	3
FINANCIAL STATEMENTS	
• Statements of Financial Position	4
• Statement of Activities - 2017	5
• Statement of Activities - 2016	6
• Statements of Functional Expenses	7
• Statements of Cash Flows	8
• Notes to Financial Statements	9-15



May 22, 2018

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, 2017 and 2016, 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, 2017 and 2016, 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.

- 3 -

FRIENDSHIP FORCE INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

Assets	2017	2016
Current Assets:		
Cash and cash equivalents	\$ 301,670	\$ 409,207
Grants receivable	9,827	75,560
Other receivables	324	924
Prepaid expenses	141,114	53,945
Promotional materials	1,419	-
Total Current Assets	454,354	539,636
Property & Equipment, Net	138,145	105,047
Other Assets:		
Deposits	6,008	5,658
Total Other Assets	6,008	5,658
Total Assets	\$ 598,507	\$ 650,341
Liabilities And Net Assets		
Current Liabilities:		
Accounts payable	\$ 41,758	\$ 27,145
Accrued Rent	-	29,663
Deferred revenue	192,253	161,735
Sublease liability	22,403	-
Sublease refundable deposit	4,608	-
Total Liabilities	261,022	218,543
Net Assets		
Unrestricted	302,277	289,533
Temporarily restricted	35,208	142,265
Total Net Assets	337,485	431,798
Total Liabilities And Net Assets	\$ 598,507	\$ 650,341

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, 2017

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains, and Other Support</b>			
Journey fees	\$ 1,390,874	\$ -	\$ 1,390,874
Club affiliation fees	185,571	-	185,571
Annual Fund contributions	6,934	35,208	42,142
Government grants	108,992	-	108,992
Investment return	432	-	432
Other income	56,117	-	56,117
Gain on sublease	2,365	-	2,365
Net assets released from restrictions	142,265	(142,265)	-
<b>Total Revenue, Gains and Other Support</b>	<b>1,893,550</b>	<b>(107,057)</b>	<b>1,786,493</b>
<b>Expenses and Losses</b>			
Program Services	1,521,721	-	1,521,721
Supporting Services:			
Management and general	271,688	-	271,688
Fundraising	82,698	-	82,698
<b>Total Supporting Services</b>	<b>354,386</b>	<b>-</b>	<b>354,386</b>
<b>Total Expenses</b>	<b>1,876,107</b>	<b>-</b>	<b>1,876,107</b>
Loss on Disposal of Property & Equipment	4,699	-	4,699
<b>Total Expenses and Losses</b>	<b>1,880,806</b>	<b>-</b>	<b>1,880,806</b>
<b>Change In Net Assets</b>	<b>12,744</b>	<b>(107,057)</b>	<b>(94,313)</b>
<b>Net Assets-Beginning of Year</b>	<b>289,533</b>	<b>142,265</b>	<b>431,798</b>
<b>Net Assets-End of Year</b>	<b>\$ 302,277</b>	<b>\$ 35,208</b>	<b>\$ 337,485</b>

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
<b>Revenues and Other Support</b>			
Journey 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)	-
<b>Total Revenue, Gains and Other Support</b>	<b>1,793,642</b>	<b>(15,720)</b>	<b>1,777,922</b>
<b>Expenses and Losses</b>			
Program Services	1,420,627	-	1,420,627
Supporting Services:			
Management and general	322,259	-	322,259
Fundraising	68,217	-	68,217
<b>Total Supporting Services</b>	<b>390,476</b>	<b>-</b>	<b>390,476</b>
<b>Total Expenses</b>	<b>1,811,103</b>	<b>-</b>	<b>1,811,103</b>
Loss on Disposal of Property & Equipment	1,560	-	1,560
<b>Total Expenses and Losses</b>	<b>1,812,663</b>	<b>-</b>	<b>1,812,663</b>
<b>Change In Net Assets</b>	<b>(19,021)</b>	<b>(15,720)</b>	<b>(34,741)</b>
Net Assets-Beginning of Year	308,554	157,985	466,539
<b>Net Assets-End of Year</b>	<b>\$ 289,533</b>	<b>\$ 142,265</b>	<b>\$ 431,798</b>

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, 2017 AND 2016

	2017				2016			
	Program Services	Supporting Services Management & General Fundraising		Total	Program Services	Supporting Services Management & General Fundraising		Total
Direct journey costs	\$ 619,672	\$ -	\$ -	\$ 619,672	\$ 567,465	\$ -	\$ -	\$ 567,465
Salaries	435,508	100,031	42,532	578,071	427,145	128,081	36,905	592,131
Fringe benefits	103,683	23,815	10,126	137,624	104,004	31,186	8,986	144,176
Depreciation	25,616	12,808	4,269	42,693	5,358	2,679	893	8,930
Insurance	7,991	710	178	8,879	11,303	1,005	251	12,559
Miscellaneous general expenses	21,417	28,026	3,513	52,956	14,575	31,444	2,052	48,071
Office rent	34,157	2,228	743	37,128	56,342	3,674	1,225	61,241
Printing, publications, & postage	-	8,718	-	8,718	-	4,035	-	4,035
Professional services	-	57,656	-	57,656	-	80,804	-	80,804
Professional services-external PT Staff	116,497	-	-	116,497	78,828	-	-	78,828
Program development	69,474	-	-	69,474	69,990	-	-	69,990
Public relations	14,018	286	13,961	28,265	10,990	360	10,918	22,268
Supplies	2,174	2,174	1,087	5,435	2,733	2,731	1,366	6,830
Telephone	4,993	4,993	2,499	12,485	5,622	5,622	2,811	14,055
Travel accommodations	61,772	25,494	1,416	88,682	63,781	28,147	1,564	93,492
Website	4,749	4,749	2,374	11,872	2,491	2,491	1,246	6,228
<b>Total</b>	<b>\$ 1,521,721</b>	<b>\$ 271,688</b>	<b>\$ 82,698</b>	<b>\$ 1,876,107</b>	<b>\$ 1,420,627</b>	<b>\$ 322,259</b>	<b>\$ 68,217</b>	<b>\$ 1,811,103</b>

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, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (94,313)	\$ (34,741)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	42,693	8,930
Loss on Disposal of Property and Equipment	4,699	1,560
(Increase) decrease in operating assets:		
Grants receivable	65,733	(8,870)
Other receivable	600	20,520
Prepaid expenses	(87,169)	20,035
Promotional Materials	(1,419)	4,197
Deposits	(350)	3,509
Increase (decrease) in operating liabilities:		
Accounts payable	14,613	(20,702)
Accrued rent	(29,663)	29,663
Deferred revenue	30,518	(29,356)
Sublease liability	22,403	-
Sublease refundable deposit	4,608	-
Net Cash Provided (Used) by Operating Activities	<u>(27,047)</u>	<u>(5,255)</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	<u>(80,490)</u>	<u>(75,747)</u>
Net Cash Provided (Used) by Investing Activities	<u>(80,490)</u>	<u>(75,747)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(107,537)	(81,002)
Cash and Cash Equivalents at Beginning of Year	<u>409,207</u>	<u>490,209</u>
Cash and Cash Equivalents at End of Year	<u>\$ 301,670</u>	<u>\$ 409,207</u>

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



# FRIENDSHIP FORCE INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

---

### 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 ("journey") visits involving "citizen ambassadors" who travel and are hosted by Friendship Force member clubs in other countries. FFI is funded primarily by journey 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 journeys with partner clubs. FFI's staff monitors and supports the efforts of the local exchange communities. In addition, FFI develops new clubs and evaluates journey performance to ensure proper control.

Each club is responsible for conducting its journey 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 journey committees, since, in the opinion of management, such activities do not come under Friendship Force International, Inc.'s financial accountability.

To supplement the journeys sponsored by the Friendship Force club network, FFI develops partnerships with external organizations for the purpose of organizing goodwill journeys for special groups. In 2017 and 2016, 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, 2017 AND 2016

---

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, 2017. 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 2017 and 2016 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 launched a Global Expansion Plan. The Global Expansion Plan involves club expansion, expanding themed journeys, and new programs. Contributions to the Annual Fund are held as temporarily restricted funds until the Board of Directors appropriates the funds for expenditure.

Journey Fees

Journey fee revenue is derived from payments made to FFI by club ambassadors for management of the journeys. 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 journey 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, 2017.

**FRIENDSHIP FORCE INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

---

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

Deferred revenue results from FFI receiving journey 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 2017 and 2016.

**FRIENDSHIP FORCE INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

---

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 \$9,827 as of December 31, 2017 and \$75,560 as of December 31, 2016 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, 2017 and 2016 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, 2017 and 2016 was \$1,419, and \$-0-, respectively.

**FRIENDSHIP FORCE INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2017 and 2016:

	2017	2016
Furniture & Fixtures	\$ 3,745	\$ 7,865
Computer Equipment	11,088	24,079
Computer Network/Website	174,917	12,973
Leasehold Improvements	-	1,887
	\$ 189,750	\$ 46,804
Accumulated Depreciation	(51,605)	(24,250)
Total Property and Equipment Being Depreciated	138,145	22,554
Property and Equipment not Depreciated:		
Website Costs Not in Service	-	82,493
Total Property and Equipment not Depreciated	-	82,493
Total Property and Equipment - Net	\$ 138,145	\$ 105,047
Depreciation Expense	\$ 42,693	\$ 8,930

Note 5 – 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, 2017 and 2016:

	2017	2016
Annual fund:		
Club Development and Expansion	\$ 32,108	\$ 55,598
Technology Upgrades	-	86,667
Leadership Program	2,900	-
Other	200	-
	\$ 35,208	\$ 142,265

**FRIENDSHIP FORCE INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

---

Note 6 – 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 \$19,417 and \$154,380 at December 31, 2017 and 2016, respectively. Management has considered the financial strength of the financial institutions and considers the risk of loss to be minimal.

Note 7 - 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, 2017, and 2016 were \$9,095, and \$8,363, respectively.

Note 8 - 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, 2018. As of December 31, 2017, and December 31, 2016, FFI had no balance outstanding on the line of credit.

Note 9 - 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, 2017 AND 2016

---

---

Note 10 - COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases

FFI is obligated under an operating lease for 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 is 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.

Sublease Liability

FFI moved out of the leased offices on June 30, 2017, and subleased the entire space to a subtenant effective July 1, 2017. The sublease agreement calls for monthly rent payments of \$4,608, with annual escalations. The sublease agreement expires on December 31, 2022, the same date that FFI's original lease agreement expires. The sub-lessee has paid FFI a security deposit of \$4,608.42.

FFI has recorded a sublease liability on its statement of financial position representing the difference between the present value of the lease payments due to the landlord under the original lease over the present value of the minimum rent payments due from the subtenant. Future minimum lease payments are as follows:

Years ended <u>December 31:</u>	Rent to be Paid	Less: Rent to be Received	Sublease Liability
2018	\$ 61,514	\$ 56,131	\$ 5,383
2019	63,043	57,822	5,221
2020	64,605	59,562	5,043
2021	66,231	61,352	4,879
2022	67,890	63,190	4,700
Total Rent	323,283	298,057	25,226
Discount to Present Value	(38,468)	(35,645)	(2,823)
Sublease Liability	<u>\$ 284,815</u>	<u>\$ 262,412</u>	<u>\$ 22,403</u>

Note 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 22, 2018, which is the date the financial statements were available to be issued.