



WORLD PEDIATRIC PROJECT AND AFFILIATE

Combined Financial Statements

June 30, 2015 and 2014

WORLD PEDIATRIC PROJECT AND AFFILIATE

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
World Pediatric Project
Richmond, Virginia

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of World Pediatric Project and affiliate (collectively, the "Organization"), which comprise the combined statements of financial position as of June 30, 2015 and 2014, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of World Pediatric Project and affiliate as of June 30, 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.

A handwritten signature in black ink, appearing to read "Keita", with a long, sweeping horizontal stroke extending to the right.

September 22, 2015
Glen Allen, Virginia

WORLD PEDIATRIC PROJECT AND AFFILIATE

Combined Statements of Financial Position
June 30, 2015 and 2014

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 1,495,364	\$ 1,541,725
Pledges and other receivables, current	90,980	120,908
Prepaid expenses	<u>35,120</u>	<u>24,227</u>
Total current assets	<u>1,621,464</u>	<u>1,686,860</u>
Property and equipment:		
Furniture, equipment and website	296,110	259,844
Less: accumulated depreciation and amortization	<u>(210,243)</u>	<u>(161,525)</u>
Net property and equipment	<u>85,867</u>	<u>98,319</u>
Other assets:		
Pledges - net, long-term	98,087	181,898
Investments	<u>252,603</u>	<u>225,762</u>
Total other assets	<u>350,690</u>	<u>407,660</u>
	<u>\$ 2,058,021</u>	<u>\$ 2,192,839</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 63,448	\$ 51,138
Accrued rent	41,887	32,229
Funds held for others	<u>4,690</u>	<u>10,161</u>
Total current liabilities	<u>110,025</u>	<u>93,528</u>
Net assets:		
Unrestricted:		
Undesignated	1,270,769	1,282,769
Board-designated endowment	112,888	107,882
Temporarily restricted	439,840	591,161
Permanently restricted	<u>124,499</u>	<u>117,499</u>
Total net assets	<u>1,947,996</u>	<u>2,099,311</u>
	<u>\$ 2,058,021</u>	<u>\$ 2,192,839</u>

See accompanying notes to combined financial statements.

WORLD PEDIATRIC PROJECT AND AFFILIATE

Combined Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains:				
Auction and special events	\$ 1,786,038	\$ -	\$ -	\$ 1,786,038
Contributions	1,635,547	212,789	7,000	1,855,336
In-kind contributions	13,985,712	-	-	13,985,712
Interest and dividend income	7,363	4,203	-	11,566
Unrealized investment gains	2,818	8,583	-	11,401
Total revenues and gains	17,417,478	225,575	7,000	17,650,053
Amounts released from restrictions	376,896	(376,896)	-	-
Total revenues, gains, and other support	17,794,374	(151,321)	7,000	17,650,053
Expenses:				
Program services	16,141,825	-	-	16,141,825
Management and general	366,566	-	-	366,566
Fundraising	1,292,977	-	-	1,292,977
Total expenses	17,801,368	-	-	17,801,368
Change in net assets	(6,994)	(151,321)	7,000	(151,315)
Net assets, beginning of year	1,390,651	591,161	117,499	2,099,311
Net assets, end of year	\$ 1,383,657	\$ 439,840	\$ 124,499	\$ 1,947,996

See accompanying notes to combined financial statements.

WORLD PEDIATRIC PROJECT AND AFFILIATE

Combined Statement of Activities
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains:				
Auction and special events	\$ 1,503,333	\$ -	\$ -	\$ 1,503,333
Contributions	1,638,739	749,270	55,199	2,443,208
In-kind contributions	7,467,786	-	-	7,467,786
Interest and dividend income	6,425	230	-	6,655
Unrealized investment gains	16,343	1,989	-	18,332
Total revenues and gains	10,632,626	751,489	55,199	11,439,314
Amounts released from restrictions	321,152	(321,152)	-	-
Total revenues, gains, and other support	10,953,778	430,337	55,199	11,439,314
Expenses:				
Program services	9,401,546	-	-	9,401,546
Management and general	399,515	-	-	399,515
Fundraising	943,737	-	-	943,737
Total expenses	10,744,798	-	-	10,744,798
Change in net assets	208,980	430,337	55,199	694,516
Net assets, beginning of year	1,181,671	160,824	62,300	1,404,795
Net assets, end of year	\$ 1,390,651	\$ 591,161	\$ 117,499	\$ 2,099,311

See accompanying notes to combined financial statements.

WORLD PEDIATRIC PROJECT AND AFFILIATE

Combined Statement of Functional Expenses Year Ended June 30, 2015

	Program Services	Management and General	Fundraising	Total
Salaries and related expenses	\$ 770,239	\$ 192,521	\$ 621,666	\$ 1,584,426
Nonemployee compensation	-	2,600	4,677	7,277
Payroll processing	1,566	392	1,054	3,012
Recruitment expenses	420	-	369	789
Staff development	1,038	-	707	1,745
In-country personnel	170,234	-	-	170,234
Patient expenses	584,150	-	-	584,150
Volunteer program	3,861	-	-	3,861
Ortiz Children's Fund expenses	-	119	-	119
Grants	80,792	-	-	80,792
Missouri Kids	18,750	-	-	18,750
Capacity building programs	115,539	-	-	115,539
Evaluation programs	2,218	-	-	2,218
Medical missions	231,617	-	-	231,617
Program development	12,683	-	-	12,683
Special events expense	-	-	297,880	297,880
Professional fees	8,434	61,554	35,971	105,959
Marketing	14,897	3,144	130,342	148,383
Communications expense	12,720	5,131	7,954	25,805
Facility and equipment	72,096	26,011	55,110	153,217
Office expenses	7,085	13,556	39,940	60,581
Travel and related expenses	32,386	8,214	19,936	60,536
Other business expense	30,347	42,999	61,678	135,024
Depreciation and amortization	30,855	10,098	15,147	56,100
Medical fees - in-kind	13,939,471	-	-	13,939,471
Miscellaneous	427	227	546	1,200
	<u>\$ 16,141,825</u>	<u>\$ 366,566</u>	<u>\$ 1,292,977</u>	<u>\$ 17,801,368</u>

See accompanying notes to combined financial statements.

WORLD PEDIATRIC PROJECT AND AFFILIATE

Combined Statement of Functional Expenses Year Ended June 30, 2014

	Program Services	Management and General	Fundraising	Total
Salaries and related expenses	\$ 714,493	\$ 180,945	\$ 452,439	\$ 1,347,877
Nonemployee compensation	1,628	14,090	18,671	34,389
Payroll processing	-	2,721	-	2,721
Recruitment expenses	210	55	575	840
Staff development	2,071	-	260	2,331
In-country personnel	151,063	-	-	151,063
Patient expenses	323,012	10	5	323,027
Volunteer program	2,819	-	37	2,856
Ortiz Children's Fund expenses	75	47	-	122
Grants	125,000	-	-	125,000
Missouri Kids	13,420	-	-	13,420
Capacity building programs	240,731	-	-	240,731
Medical missions	232,875	-	-	232,875
Program development	3,805	53	12,173	16,031
Special events expense	18	15,000	235,246	250,264
Professional fees	9,795	67,151	39,336	116,282
Marketing	64	1,200	7,941	9,205
Communications expense	5,577	17,475	1,233	24,285
Facility and equipment	64,943	22,347	43,834	131,124
Office expenses	4,375	11,587	43,046	59,008
Travel and related expenses	12,213	28,736	20,673	61,622
Other business expense	25,974	27,804	54,077	107,855
Depreciation and amortization	25,997	8,508	12,762	47,267
Medical fees - in-kind	7,441,124	-	-	7,441,124
Miscellaneous	264	1,786	1,429	3,479
	<u>\$ 9,401,546</u>	<u>\$ 399,515</u>	<u>\$ 943,737</u>	<u>\$ 10,744,798</u>

See accompanying notes to combined financial statements.

WORLD PEDIATRIC PROJECT AND AFFILIATE

Combined Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (151,315)	\$ 694,516
Adjustments to reconcile the change in net assets to net cash from operations:		
Depreciation and amortization	56,100	47,267
Contributions restricted for endowment	(7,000)	(55,199)
Contributed property and equipment	(11,742)	(18,000)
Reinvested interest and dividends	(6,391)	(2,245)
Unrealized gain on investments	(11,401)	(18,332)
Changes in operating assets and liabilities:		
Pledges and other receivables - net	113,739	(289,656)
Prepaid expenses	(10,893)	904
Accounts payable and accrued expenses	12,310	(507)
Accrued rent	9,658	(7,559)
Funds held for others	(5,471)	(17,114)
Net cash (used in) provided by operating activities	(12,406)	334,075
Cash flows from investing activities:		
Purchase of property and equipment	(31,906)	(10,421)
Purchase of investments	(9,049)	(115,661)
Net cash used in investing activities	(40,955)	(126,082)
Cash flows from financing activities:		
Contributions restricted for endowment	7,000	55,199
Net (decrease) increase in cash and cash equivalents	(46,361)	263,192
Cash and cash equivalents, beginning of year	1,541,725	1,278,533
Cash and cash equivalents, end of year	\$ 1,495,364	\$ 1,541,725

See accompanying notes to combined financial statements.

WORLD PEDIATRIC PROJECT AND AFFILIATE

Notes to Combined Financial Statements

1. Summary of Significant Accounting Policies:

Organization: World Pediatric Project is a nonprofit humanitarian organization linking worldwide pediatric surgical, diagnostic and preventative resources to heal critically ill children in developing countries. World Pediatric Project also helps build indigenous health care capacity – saving lives now while transforming pediatric health outcomes for years to come.

In April 2010, David Ortiz Children's Fund (the "Corporation"), a Virginia nonstock corporation, was organized under Section 501(c)(3) of the Internal Revenue Code. The Corporation is classified as a supporting organization for federal tax purposes and will carry out certain activities in furtherance of the World Pediatric Project's exempt purposes.

The accompanying combined financial statements include the resources and the financial activities of World Pediatric Project and its affiliate, David Ortiz Children's Fund (collectively, the "Organization"). All significant intercompany transactions and accounts are eliminated.

Basis of Accounting: The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States ("GAAP"), which require reporting information regarding its financial position and activities according to these three classes of net assets:

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. If the Board of Directors specifies a purpose where none has been stated by the original donor, such assets are classified as Board-designated within unrestricted net assets.

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a 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.

Permanently restricted net assets are subject to donor-imposed stipulations that the original fair value of the gift be maintained permanently by the Organization and use of all or part of the income earned on any related investments is for general or specific purposes.

Estimates: The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WORLD PEDIATRIC PROJECT AND AFFILIATE

Notes to Combined Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Cash and Cash Equivalents: The Organization considers as cash equivalents all short term, highly liquid investments with maturities of three months or less at date of acquisition.

Pledges Receivable: Unconditional promises to give, which include pledges and grants receivable at their net present value in the year promised, are recognized as unrestricted, temporarily restricted, or permanently restricted support as appropriate. Conditional promises are recorded when donor stipulations are substantially met.

Property and Equipment: Property and equipment and website development costs are recorded at cost for purchased assets and at fair value for donated items. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets, which range from three to seven years. Upon retirement or sale of an asset, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Investments: The Organization's investments are reported at readily determinable fair value in the combined statements of financial position. The fair value of marketable equity and debt securities is determined using quoted market prices. Unrealized gains and losses are included in the combined statements of activities.

Credit Risk: The Organization maintains its cash and cash equivalent balances in multiple financial institutions. The balances in the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. Funds held by brokerage houses are insured by the Securities Investors Protection Corporation up to a ceiling of \$500,000, including cash claims of up to \$250,000. The Organization periodically has balances in excess of insured limits.

Income Taxes: The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Income Tax Uncertainties: Management has evaluated the effects of accounting guidance related to uncertain income tax positions and concluded that the Organization had no significant financial statement exposure to uncertain income tax positions at June 30, 2015 and 2014. The Organization's income tax returns for years since June 30, 2012 remain open for examination by tax authorities. The Organization is not currently under audit by any tax jurisdiction.

WORLD PEDIATRIC PROJECT AND AFFILIATE

Notes to Combined Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Contributed Materials, Hospital Charges and Services: The value of contributed materials and the value of contributed services and hospital charges that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and are of the type that would have been purchased if not contributed, amounted to \$13,985,712 for 2015 and \$7,467,786 for 2014 and have been recognized at their fair value as determined by the donor in the combined financial statements. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, campaign solicitations and various committee assignments. The value of these services could not be estimated and is not recognized in the combined financial statements.

Subsequent Events: Management has evaluated subsequent events through September 22, 2015 and has determined there are no subsequent events to be reported in the accompanying combined financial statements.

2. Temporarily Restricted Net Assets:

In 2015 and 2014, the Organization received donor-imposed restricted contributions for direct costs of program services for children needing critical care. The Organization received temporarily restricted gifts of \$212,789 during 2015 and \$749,270 during 2014. The amounts released from restrictions and expended for children needing critical care were \$376,896 during 2015 and \$321,152 during 2014.

3. Pledges and Other Receivables:

The present value of estimated future cash flows of pledges receivable, discounted at the risk-free rate of 1.63%, are expected to be received as follows at June 30:

	<u>2015</u>	<u>2014</u>
Amounts due in:		
Less than one year	\$ 90,000	\$ 119,333
One to five years	<u>99,923</u>	<u>186,645</u>
	189,923	305,978
Less:		
Discount on pledges receivable	<u>1,836</u>	<u>4,747</u>
	<u>\$ 188,087</u>	<u>\$ 301,231</u>

One donor accounted for 90% of net pledges receivable at June 30, 2015 and 83% of net pledges receivable at June 30, 2014. Other receivables were \$980 at June 30, 2015 and \$1,575 at June 30, 2014.

WORLD PEDIATRIC PROJECT AND AFFILIATE

Notes to Combined Financial Statements, Continued

4. Investments:

The costs of investments and their related carrying values (market) by major investment type were as follows at June 30:

	2015		2014	
	Cost	Market	Cost	Market
Cash equivalents	\$ 2,295	\$ 2,295	\$ 2,295	\$ 2,295
Equity securities	186,602	226,368	178,557	206,828
Fixed income	23,027	23,940	15,472	16,639
	\$ 211,924	\$ 252,603	\$ 196,324	\$ 225,762

5. Endowment Funds:

The Organization's endowment consists of two endowed named funds established to support the cause of the Organization. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts given to the permanent endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment funds not classified as permanently restricted net assets would be classified as temporarily restricted net assets until those amounts appropriated for expenditure are disbursed in accordance with the donor restrictions in a manner consistent with the standard of prudence prescribed by UPMIFA.

WORLD PEDIATRIC PROJECT AND AFFILIATE

Notes to Combined Financial Statements, Continued

5. Endowment Funds, Continued:

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate funds in the endowment funds designated by the Board of Directors:

- The duration and preservation of the fund
- The purposes of the Organization and a donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment funds that attempt to provide a predictable stream of funding to the Organization's programs supported by endowments. In addition to providing a predictable stream of funding, the adopted investment and spending policies also seek to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds over time to provide an average rate of return of more than five percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Organization has a policy of limiting spending to generally five percent of the value of endowment funds. In establishing this policy, the Organization considered the long-term expected return on endowments. Accordingly, over the long term, the Organization expects the current spending policy to allow the endowment fund to grow consistent with the objective of maintaining the purchasing power of the endowment assets.

WORLD PEDIATRIC PROJECT AND AFFILIATE

Notes to Combined Financial Statements, Continued

5. Endowment Funds, Continued:

Endowment net asset composition by type of fund was as follows as of June 30, 2015 and 2014:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment fund	\$ -	\$ 15,005	\$ 124,499	\$ 139,504
Board-designated fund	<u>112,888</u>	<u>-</u>	<u>-</u>	<u>112,888</u>
Total funds	<u>\$ 112,888</u>	<u>\$ 15,005</u>	<u>\$ 124,499</u>	<u>\$ 252,392</u>

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment fund	\$ -	\$ 2,219	\$ 117,499	\$ 119,718
Board-designated fund	<u>107,882</u>	<u>-</u>	<u>-</u>	<u>107,882</u>
Total funds	<u>\$ 107,882</u>	<u>\$ 2,219</u>	<u>\$ 117,499</u>	<u>\$ 227,600</u>

Changes in endowment funds were as follows for the years ended June 30, 2015 and 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, July 1, 2013	\$ 89,524	\$ -	\$ 62,300	\$ 151,824
Investment income	2,015	230	-	2,245
Unrealized investment gains	16,343	1,989	-	18,332
New contributions	<u>-</u>	<u>-</u>	<u>55,199</u>	<u>55,199</u>
Net assets, June 30, 2014	107,882	2,219	117,499	227,600
Investment income	2,188	4,203	-	6,391
Unrealized investment gains	2,818	8,583	-	11,401
New contributions	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>7,000</u>
Net assets, June 30, 2015	<u>\$ 112,888</u>	<u>\$ 15,005</u>	<u>\$ 124,499</u>	<u>\$ 252,392</u>

WORLD PEDIATRIC PROJECT AND AFFILIATE

Notes to Combined Financial Statements, Continued

6. Fair Value Measurements:

The Organization follows FASB guidance, which provides a framework for measuring fair value under GAAP, for all financial assets and liabilities measured at fair value on a recurring basis.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of the three levels.

These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 assets and liabilities include debt and equity securities traded in an active exchange market, as well as certain U.S. Treasury securities that are traded by dealers or brokers in active markets.

Level 2 – Valuation 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 or liabilities.

Level 3 – Valuation is determined using model-based techniques that use significant assumptions not observable in the market and significant to the fair value measurement.

The fair value of the Organization's investments in securities of \$252,603 at June 30, 2015 and \$225,762 at June 30, 2014 was determined based upon Level 1 valuation criteria.

7. Leases:

The Organization leases office space and equipment under operating lease agreements. Rental expense was \$144,084 for 2015 and \$123,356 for 2014.

The Organization leases office space in Richmond through December 31, 2016 and in St. Louis through June 30, 2020. These leases provide for certain rent holidays and annual rent escalations. The Organization recognizes rent expense on a straight-line basis over the life of the leases. This policy resulted in the recognition of accrued rent of \$41,887 at June 30, 2015 and \$32,229 at June 30, 2014.

WORLD PEDIATRIC PROJECT AND AFFILIATE

Notes to Combined Financial Statements, Continued

7. Leases, Continued:

Future minimum payments under operating lease obligations consisted of the following at June 30, 2015:

Year Ending June 30,	Amount
2016	\$ 158,466
2017	101,768
2018	45,771
2019	50,250
2020	<u>50,958</u>
Total	<u>\$ 407,213</u>

8. Contingencies:

From time to time, the Organization may be involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial position or results of operations.

Pursuant to its Articles of Incorporation, the Organization has certain obligations to indemnify its officers and directors for certain events or occurrences while serving at the Organization's request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia. The Organization's insurance policies serve to further limit its exposure. The Organization believes that the estimated fair value of these indemnification obligations is minimal.

9. Functional Allocation of Expenses:

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

10. Defined Contribution Retirement Plan:

Effective September 1, 2014, the Organization began sponsoring a defined contribution retirement plan which covers all employees who meet eligibility requirements. The plan enables participants to make contributions, and the Organization may elect to match the employee's contribution. The Organization did not make any matching contributions to the plan during 2015.