

World Pediatric Project and Affiliate

Combined Financial Statements

June 30, 2016 and 2015



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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, 2016 and 2015, 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, 2016 and 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the combined financial statements, the affiliate became independent effective January 1, 2016, resulting in the accompanying combined financial statements reflecting the operations of the affiliate for only the period from July 1, 2014 to December 31, 2015. Our opinion is not modified with respect to this matter.

September 19, 2016 Glen Allen, Virginia

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Combined Statements of Financial Position June 30, 2016 and 2015

<u>Assets</u>	2016	2015
Current assets: Cash and cash equivalents Pledges and other receivables, current Prepaid expenses	\$ 1,325,559 144,480 111,162	\$ 1,495,364 90,980 35,120
Total current assets	1,581,201	1,621,464
Property and equipment: Furniture, equipment and website Less: accumulated depreciation and amortization	301,777 (247,934)	296,110 (210,243)
Net property and equipment	53,843	85,867
Other assets: Pledges - net, long-term Investments	17,762 285,956	98,087 252,603
Total other assets	303,718	350,690
	\$ 1,938,762	\$ 2,058,021
Liabilities and Net Assets		
Current liabilities: Accounts payable and accrued expenses Accrued rent Funds held for others	\$ 102,427 32,989 4,690	\$ 63,448 41,887 4,690
Total current liabilities	140,106	110,025
Net assets: Unrestricted: Undesignated Board-designated endowment	858,541 113,802	1,270,769 112,888
Temporarily restricted	669,814	439,840
Permanently restricted	156,499	124,499
Total net assets	1,798,656	1,947,996
	<u>\$ 1,938,762</u>	\$ 2,058,021

Combined Statement of Activities Year Ended June 30, 2016

		Temporarily	Permanently	
	Unrestricted	Restricted	Restricted	Total
Revenues and gains: Auction and special events Contributions In-kind contributions Interest and dividend income	\$ 2,046,821 1,724,864 14,379,661 9,469	\$ - 990,666 - 3,892	\$ - 32,000 - -	\$ 2,046,821 2,747,530 14,379,661 13,361
Total revenues and gains	18,160,815	994,558	32,000	19,187,373
Amounts released from restrictions	761,131	(761,131)		
Total revenues, gains, and other support	18,921,946	233,427	32,000	19,187,373
Expenses and losses: Program services Management and general Fundraising	17,247,725 326,830 1,590,841	- - -	- - -	17,247,725 326,830 1,590,841
Total expenses	19,165,396	-	-	19,165,396
Unrealized investment losses	1,710	3,453		5,163
Total expenses and losses	19,167,106	3,453		19,170,559
Change in net assets	(245,160)	229,974	32,000	16,814
Net assets, beginning of year	1,383,657	439,840	124,499	1,947,996
De-combining of David Ortiz Children's Fund	(166,154)			(166,154)
Net assets, end of year	\$ 972,343	\$ 669,814	\$ 156,499	\$ 1,798,656

Combined Statement of Activities Year Ended June 30, 2015

		Temporarily	Permanently	
	Unrestricted	Restricted	Restricted Restricted	
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

Combined Statement of Functional Expenses Year Ended June 30, 2016

	Program Management							
	Services		and General		Fu	indraising		Total
Salaries and related expenses	\$	827,398	\$	223,754	\$	626,605	\$	1,677,757
Nonemployee compensation		-		-		113,980		113,980
Payroll processing		-		3,216		-		3,216
Recruitment expenses		605		40		31,560		32,205
Staff development		531		1,307		735		2,573
In-country personnel		186,379		-		-		186,379
Patient expenses		598,578		-		-		598,578
Volunteer program		2,088		26		54		2,168
Ortiz Children's Fund expenses		-		26		-		26
Grants		110,028		-		-		110,028
Missouri Kids		20,900		-		-		20,900
Capacity building programs		1,235,827		-		-		1,235,827
Evaluation programs		1,382		-		-		1,382
Medical missions		289,597		-		-		289,597
Program development		13,620		10,064		26,868		50,552
Special events expense		-		713		445,408		446,121
Professional fees		23,576		13,600		40,059		77,235
Marketing		853		24		50,969		51,846
Communications expense		6,926		13,464		2,677		23,067
Facility and equipment		82,192		19,419		64,181		165,792
Office expenses		7,761		13,550		56,912		78,223
Travel and related expenses		31,494		3,422		23,433		58,349
Other business expense		44,843		17,021		95,743		157,607
Depreciation and amortization		20,730		6,784		10,177		37,691
Medical fees - in-kind	1	3,740,298		-		-	•	13,740,298
Miscellaneous		2,119		400		1,480		3,999
								
	\$ 1	7,247,725	\$	326,830	\$ 1	1,590,841	\$ ^	19,165,396

Combined Statement of Functional Expenses Year Ended June 30, 2015

	Program Management							
	5	Services	an	d 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	1	3,939,471		-		-	•	13,939,471
Miscellaneous		427		227		546		1,200
	<u>\$ 1</u>	6,141,825	\$	366,566	\$ -	1,292,977	<u>\$</u>	17,801,368

Combined Statements of Cash Flows Years Ended June 30, 2016 and 2015

		2016		2015
Cash flows from operating activities:	•	40.044	•	(454.045)
Change in net assets	\$	16,814	\$	(151,315)
Adjustments to reconcile the change in net				
assets to net cash from operations:				
Depreciation and amortization		37,691		56,100
Contributions restricted for endowment		(32,000)		(7,000)
Contributed property and equipment		-		(11,742)
Reinvested interest and dividends		(6,516)		(6,391)
Unrealized loss (gain) on investments		5,163		(11,401)
Changes in operating assets and liabilities:				
Pledges and other receivables - net		26,825		113,739
Prepaid expenses		(76,042)		(10,893)
Accounts payable and accrued expenses		38,979		12,310
Accrued rent		(8,898)		9,658
Funds held for others				(5,471)
Net cash provided by (used in) operating activities		2,016		(12,406)
Cash flows from investing activities:				
Purchase of property and equipment		(5,667)		(31,906)
Purchase of investments		(32,000)		(9,049)
Net cash used in investing activities		(37,667)		(40,955)
Cash flows from financing activities:				
Contributions restricted for endowment		32,000		7,000
Net decrease in cash and cash equivalents		(3,651)		(46,361)
Cash and cash equivalents, beginning of year		1,495,364		1,541,725
De-combining of David Ortiz				
Children's Fund		(166,154)		_
Simulation of unit		(,)		
Cash and cash equivalents, end of year	\$	1,325,559	\$	1,495,364

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 was classified as a supporting organization for federal tax purposes and would carry out certain activities in furtherance of the World Pediatric Project's exempt purposes. The Corporation became independent effective January 1, 2016. The effects of this deconsolidation are included in the accompanying combined financial statements.

The accompanying combined financial statements include the resources and the financial activities of World Pediatric Project and the financial activities from July 1, 2014 to December 31, 2015 of 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 combined 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 combined 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.

Notes to Combined Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

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.

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 combined financial statement exposure to uncertain income tax positions at June 30, 2016 and 2015. The Organization is not currently under audit by any tax jurisdiction.

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 \$14,379,661 for 2016 and \$13,985,712 for 2015 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 19, 2016, the date the combined financial statements were available to be issued, and has determined that other than as described in Note 7, there are no subsequent events to be reported in the accompanying combined financial statements.

2. Temporarily Restricted Net Assets:

In 2016 and 2015, the Organization received donor-imposed restricted contributions for direct costs of program services for children needing critical care and time-restricted contributions. The Organization received temporarily restricted gifts of \$990,666 during 2016 and \$212,789 during 2015. The amounts released from restrictions and expended for children needing critical care were \$756,131 during 2016 and \$376,896 during 2015.

3. Pledges and Other Receivables:

The present value of estimated future cash flows of pledges receivable, discounted at the risk-free rate of .71%, are expected to be received as follows at June 30:

	2016	2015		
Amounts due in:				
Less than one year	\$ 144,480	\$	90,000	
One to five years	17,923		99,923	
•	 162,403		189,923	
Less:				
Discount on pledges receivable	 161		1,836	
	\$ 162,242	\$	188,087	

Three donors accounted for 75% of net pledges receivable at June 30, 2016 and one donor accounted for 90% of net pledges receivable at June 30, 2015. There were no other receivables at June 30, 2016. Other receivables were \$980 at June 30, 2015.

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:

		20	16		 20	15	
		Cost		Market	 Cost		Market
Cash equivalents Equity securities Fixed income	\$	2,300 208,194 39,945	\$	2,300 241,550 42,106	\$ 2,295 186,602 23,027	\$	2,295 226,368 23,940
	<u>\$</u>	250,439	\$	285,956	\$ 211,924	\$	252,603

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.

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.

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, 2016 and 2015:

	2016								
			Ter	Temporarily		rmanently			
	Unr	estricted	Re	stricted	R	estricted		Total	
Donor-restricted									
endowment fund	\$	-	\$	22,350	\$	156,499	\$	178,849	
Board-designated fund		106,896						106,896	
Total funds	\$	106,896	\$	22,350	\$	156,499	\$	285,745	
				20	15				
			Ter	mporarily	Pe	rmanently			
	Unr	estricted	Re	stricted	R	estricted		Total	
Donor-restricted									
and decrease of the sail									
endowment fund	\$	-	\$	15,005	\$	124,499	\$	139,504	
Board-designated fund	\$ 	- 112,888	\$ —	15,005 <u>-</u>	\$ 	124,499 <u>-</u>	\$	139,504 112,888	

Changes in endowment funds were as follows for the years ended June 30, 2016 and 2015:

			Temporarily		Pe	rmanently	
	Ur	restricted	Restricted		Restricted		 Total
Net assets, July 1, 2014 Investment income Unrealized investment gains New contributions	\$	107,882 2,188 2,818	\$	2,219 4,203 8,583	\$	117,499 - - 7,000	\$ 227,600 6,391 11,401 7,000
Net assets, June 30, 2015 Investment income Unrealized investment losses New contributions		112,888 2,624 (8,616)		15,005 3,892 3,453		124,499 - - 32,000	252,392 6,516 (5,163) 32,000
Net assets, June 30, 2016	\$	106,896	\$	22,350	\$	156,499	\$ 285,745

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 \$285,956 at June 30, 2016 and \$252,603 at June 30, 2015 was determined based upon Level 1 valuation criteria.

7. Leases:

The Organization leases office space and equipment under operating lease agreements. Rental expense was \$159,781 for 2016 and \$144,084 for 2015.

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 \$32,989 at June 30, 2016 and \$41,887 at June 30, 2015.

Notes to Combined Financial Statements, Continued

7. Leases, Continued:

Future minimum payments under operating lease obligations consisted of the following at June 30, 2016:

Year Ending	
June 30,	Amount
2017	\$ 101,768
2018	45,771
2019	50,250
2020	50,958
Total	\$ 248,747

Effective August 1, 2016, the Organization amended the lease for the office space in St. Louis, Missouri to include additional square footage resulting in increased future rental expense of approximately \$54,000 per year on a straight-line basis. The effects of this amendment are not included in the table above.

On August 8, 2016, the Organization renewed and amended the lease for the office space in Richmond, Virginia for an additional five years and to include additional square footage resulting in increased future rental expense of approximately \$30,000 per year on a straight-line basis. The effects of this amendment are not included in the table above and are not effective until January 1, 2017.

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.

Notes to Combined Financial Statements, Continued

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 2016 or 2015.