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ISLAND PRESS - CENTER FOR RESOURCE ECONOMICS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2015 AND 2014

MATTHEWS, CARTER & BOYCE

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ISLAND PRESS – CENTER FOR RESOURCE ECONOMICS

TABLE OF CONTENTS

DECEMBER 31, 2015 AND 2014

MATTHEWS, CARTER & BOYCE
CPAs · ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Island Press - Center for Resource Economics
Washington, DC

We have audited the accompanying financial statements of Island Press - Center for Resource Economics (the Center), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Island Press - Center for Resource Economics as of December 31, 2015 and 2014, 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.

Matthews, Carter and Boyce

Fairfax, Virginia
May 12, 2016

ISLAND PRESS - CENTER FOR RESOURCE ECONOMICS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

	December 31, 2015			December 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 1,047,070	$ 847,132	$ 1,894,202	$ 1,167,782	$ 759,104	$ 1,926,886
Grants and contributions receivable, current portion	-	953,008	953,008	-	981,500	981,500
Accounts receivable, net	514,346	-	514,346	550,698	-	550,698
Inventory, net	1,080,583	-	1,080,583	1,263,684	-	1,263,684
Prepublication costs	49,059	-	49,059	58,948	-	58,948
Royalty advances, net	234,459	-	234,459	248,266	-	248,266
Other current assets	151,969	-	151,969	163,227	-	163,227
Total Current Assets	$ 3,077,486	$ 1,800,140	$ 4,877,626	$ 3,452,605	$ 1,740,604	$ 5,193,209
GRANTS AND CONTRIBUTIONS RECEIVABLE, net of current portion	-	-	-	-	850,000	850,000
PROPERTY AND EQUIPMENT, NET	51,471	-	51,471	51,562	-	51,562
TOTAL ASSETS	$ 3,128,957	$ 1,800,140	$ 4,929,097	$ 3,504,167	$ 2,590,604	$ 6,094,771

The accompanying notes are an integral part of these financial statements.

ISLAND PRESS - CENTER FOR RESOURCE ECONOMICS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

	December 31, 2015			December 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable and accrued expenses	$ 121,905	$ -	$ 121,905	$ 172,227	$ -	$ 172,227
Accrued payroll and related liabilities	219,721	-	219,721	241,211	-	241,211
Royalties payable	163,200	-	163,200	141,100	-	141,100
Deferred rent, current portion	2,786	-	2,786	2,768	-	2,768
Total Current Liabilities	$ 507,612	$ -	$ 507,612	$ 557,306	$ -	$ 557,306
Deferred rent, net of current portion	124,903	-	124,903	116,396	-	116,396
Total Liabilities	$ 632,515	$ -	$ 632,515	$ 673,702	$ -	$ 673,702
NET ASSETS						
Unrestricted						
Board-designated	$ 499,961	$ -	$ 499,961	$ 833,958	$ -	$ 833,958
Undesignated	1,996,481	-	1,996,481	1,996,507	-	1,996,507
Temporarily restricted	-	1,800,140	1,800,140	-	2,590,604	2,590,604
Total Net Assets	$ 2,496,442	$ 1,800,140	$ 4,296,582	$ 2,830,465	$ 2,590,604	$ 5,421,069
TOTAL LIABILITIES AND NET ASSETS	$ 3,128,957	$ 1,800,140	$ 4,929,097	$ 3,504,167	$ 2,590,604	$ 6,094,771

The accompanying notes are an integral part of these financial statements.

ISLAND PRESS - CENTER FOR RESOURCE ECONOMICS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	For the Year Ended December 31, 2015			For the Year Ended December 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT						
Book sales, net of returns	$ 2,212,972	$ -	$ 2,212,972	$ 2,446,945	$ -	$ 2,446,945
Grants and contributions, institutional foundations	212,804	425,747	638,551	297,431	2,929,594	3,227,025
Grants and contributions, family foundations and individuals	512,456	111,360	623,816	598,341	187,382	785,723
Interest and other income, net	9,004	-	9,004	16,495	-	16,495
Net assets released from restrictions	1,327,571	(1,327,571)	-	845,352	(845,352)	-
Total Revenues and Support	$ 4,274,807	$ (790,464)	$ 3,484,343	$ 4,204,564	$ 2,271,624	$ 6,476,188
EXPENSES						
Program services						
Research and publication	$ 1,925,694	$ -	$ 1,925,694	$ 1,984,664	$ -	$ 1,984,664
Outreach and education	902,014	-	902,014	1,070,302	-	1,070,302
Partnership and technical assistance	808,570	-	808,570	465,014	-	465,014
Supporting services						
General and administrative	545,667	-	545,667	586,958	-	586,958
Fundraising	426,885	-	426,885	537,121	-	537,121
Total Expenses	$ 4,608,830	$ -	$ 4,608,830	$ 4,644,059	$ -	$ 4,644,059
INCREASE (DECREASE) IN NET ASSETS	$ (334,023)	$ (790,464)	$ (1,124,487)	$ (439,495)	$ 2,271,624	$ 1,832,129
NET ASSETS AT BEGINNING OF THE YEAR	2,830,465	2,590,604	5,421,069	3,269,960	318,980	3,588,940
NET ASSETS AT END OF THE YEAR	$ 2,496,442	$ 1,800,140	$ 4,296,582	$ 2,830,465	$ 2,590,604	$ 5,421,069

The accompanying notes are an integral part of these financial statements.

ISLAND PRESS - CENTER FOR RESOURCE ECONOMICS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (1,124,487)	$ 1,832,129
Adjustments to reconcile increase (decrease) in net assets to net cash (used) provided by operating activities:		
Loss from disposal of property and equipment	$ 1,392	$ -
Depreciation and amortization	11,466	13,397
Decrease in allowance for book returns	(6,940)	(22,872)
Decrease in allowance for doubtful accounts	(68)	(700)
Increase (decrease) in allowances for inventory and royalty advances	(45,103)	9,954
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants and contributions receivable	878,492	(1,653,500)
Accounts receivable	43,360	70,878
Inventory	237,633	45,707
Prepublication costs	9,889	(21,190)
Royalty advances	4,378	41,473
Other current assets	11,258	9,148
Increase (decrease) in:		
Accounts payable and accrued expenses	(50,322)	3,727
Accrued payroll and related liabilities	(21,490)	28,374
Royalties payable	22,100	(11,785)
Deferred rent	8,525	13,940
Total Adjustments	$ 1,104,570	$ (1,473,449)
Net Cash (Used) Provided by Operating Activities	$ (19,917)	$ 358,680
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	$ (12,767)	$ (15,549)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of note payable	$ -	$ (100,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (32,684)	$ 243,131
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,926,886	1,683,755
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,894,202	$ 1,926,886
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ -	$ 1,083

There were no non-cash investing or financing activities in 2015 or 2014.

The accompanying notes are an integral part of these financial statements.

ISLAND PRESS - CENTER FOR RESOURCE ECONOMICS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015
(With Comparative Totals for 2014)

	Program Services				Supporting Services		Total for the Year Ended December 31, 2015	Total for the Year Ended December 31, 2014
	Research and Publication	Outreach and Education	Partnership & Technical Assistance	Total Program Services	General and Administrative	Fundraising		
Salaries, payroll taxes and employee benefits	$ 725,178	$ 375,869	$ 304,015	$ 1,405,062	$ 413,823	$ 304,671	$ 2,123,556	$ 2,276,438
Cost of books sold	1,052,102	-	15,120	1,067,222	-	-	1,067,222	1,005,546
Professional fees	8,643	251,400	179,168	439,211	49,502	9,847	498,560	448,187
Promotions	9,716	167,869	109,317	286,902	7,555	9,780	304,237	320,657
Program production	2,409	1,606	16,534	20,549	1,094	1,540	23,183	38,368
Occupancy	63,916	84,036	50,022	197,974	30,694	47,081	275,749	249,541
Travel and conferences	26,343	-	111,124	137,467	11,739	34,610	183,816	177,597
Postage and shipping	4,083	918	2,830	7,831	2,820	3,501	14,152	17,579
Supplies	1,366	711	4,178	6,255	9,134	1,104	16,493	13,761
Insurance	21,803	14,121	9,509	45,433	7,935	9,060	62,428	60,154
Telephone	2,586	1,341	1,665	5,592	8,789	2,416	16,797	17,430
Depreciation and amortization	3,823	2,663	1,788	8,274	1,491	1,701	11,466	13,397
Bank and interest charges	2,001	1,262	1,894	5,157	951	1,446	7,554	1,809
Bad debt expense	1,435	-	-	1,435	-	-	1,435	2,702
Sales taxes and other fees/dues	290	218	1,406	1,914	140	128	2,182	893
Total for the year ended December 31, 2015	$ 1,925,694	$ 902,014	$ 808,570	$ 3,636,278	$ 545,667	$ 426,885	$ 4,608,830	
Total for the year ended December 31, 2014	$ 1,984,664	$ 1,070,302	$ 465,014	$ 3,519,980	$ 586,958	$ 537,121		$ 4,644,059

The accompanying notes are an integral part of these financial statements.

ISLAND PRESS - CENTER FOR RESOURCE ECONOMICS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services				Supporting Services		Total for the Year Ended December 31, 2014
	Research and Publication	Outreach and Education	Partnership & Technical Assistance	Total Program Services	General and Administrative	Fundraising	
Salaries, payroll taxes and employee benefits	$ 801,633	$ 478,423	$ 149,671	$ 1,429,727	$ 443,485	$ 403,226	$ 2,276,438
Cost of books sold	1,005,546	-	-	1,005,546	-	-	1,005,546
Professional fees	11,399	280,733	111,229	403,361	43,192	1,634	448,187
Promotions	12,314	205,955	74,153	292,422	11,862	16,373	320,657
Program production	2,804	1,750	32,566	37,120	1,248	-	38,368
Occupancy	70,051	81,545	18,498	170,094	34,996	44,451	249,541
Travel and conferences	36,436	40	68,290	104,766	22,458	50,373	177,597
Postage and shipping	4,778	1,148	2,143	8,069	3,803	5,707	17,579
Supplies	2,007	1,208	2,881	6,096	6,194	1,471	13,761
Insurance	24,455	14,583	3,501	42,539	8,996	8,619	60,154
Telephone	4,586	1,034	1,102	6,722	8,157	2,551	17,430
Depreciation and amortization	5,152	3,360	804	9,316	2,082	1,999	13,397
Bank and interest charges	468	307	99	874	348	587	1,809
Bad debt expense	2,702	-	-	2,702	-	-	2,702
Sales taxes and other fees/dues	333	216	77	626	137	130	893
Total for the year ended December 31, 2014	$ 1,984,664	$ 1,070,302	$ 465,014	$ 3,519,980	$ 586,958	$ 537,121	$ 4,644,059

The accompanying notes are an integral part of these financial statements.

Note 1. Organization and Significant Accounting Policies

The Island Press – Center for Resource Economics (the Center – formerly Center for Resource Economics, dba Island Press) was organized in 1978 as a nonprofit corporation under the laws of the state of California to conduct research and educate the public in the area of natural resource conservation and management. In 1984, the Center refocused operations primarily on the publishing and marketing of books related to natural resource conservation and management. In June 1992, the Center was granted an exemption from federal and state income taxes as an independent public charity by the Internal Revenue Service and the state of California Franchise Tax Board, respectively. Currently, the Center is a full-service information provider publishing its own titles, as well as marketing and distributing titles on natural resource management from other publishers.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimates under different assumptions or conditions.

Revenue Recognition

Revenue from book sales is recognized when books are shipped. Book sales are recorded net of estimated returns.

Contributions and grants are accounted for in accordance with the provisions of authoritative guidance issued by the Financial Accounting Standards Board (FASB). Under such guidance, contributions or grants are recognized as revenue when received or pledged.

Noncash contributions are recognized at the fair value of assets received.

Cash Equivalents

The Center considers all highly-liquid instruments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of revenue recognized from book sales for which payments have not yet been received. Accounts receivable are stated at the amount management expects to collect from customers with outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable also include an estimated allowance for book returns.

Note 1. Organization and Significant Accounting Policies (Continued)

Royalty Advances

Under the terms of their individual publishing contracts, authors may be paid an advance for royalties on sales of their books. As actual sales are made, the royalty advances are reduced by the actual royalties earned. Once the advances are reduced to zero, any additional royalties paid under contract are charged to royalty expense (cost of books sold). An allowance is set up against the royalty advances to estimate any write-offs due to poor sales.

Grants and Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Center that is in substance, unconditional. Unconditional promises to give due in the next year are reflected as current grants and contributions receivable and are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reflected as long-term grants and contributions receivable and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. No discounts were recorded in 2015 or 2014 since the discount amounts would not have been significant.
Unconditional grants and contributions receivable at December 31, 2015 and 2014 are as follows:

	2015	2014
Receivable in less than one year	$ 953,008	$ 981,500
Receivable in two to five years	-	850,000
Total Grants and Contributions Receivable	$ 953,008	$ 1,831,500

Inventory

Inventory consists of books intended for resale and is stated at the lower of cost (average cost) or net realizable value. Cost of books sold includes plant and manufacturing costs, royalty expenses for books sold, plus write-downs of inventory and royalty advances to net realizable value. Costs related to write-downs of inventory and royalty advances totaled $233,875 and $163,053 for the years ended December 31, 2015 and 2014, respectively.

Prepublication Costs

Prepublication costs include plant and manufacturing costs incurred prior to the completion of related books. Editorial costs are expensed as incurred.

Property and Equipment

The Center capitalizes property and equipment additions exceeding $500. Property and equipment is stated at cost. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of three to five years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the term of the related lease.

Note 1. Organization and Significant Accounting Policies (Continued)

Concentrations of Credit Risk

The Center's assets that are exposed to credit risk consist primarily of cash and cash equivalents, grants and contributions receivable and accounts receivable. Grants and contributions receivable consist primarily of amounts due from nonprofit organizations and individuals. Historically, the Center has not experienced losses related to grants and contributions receivable, and accordingly, an allowance for uncollectible grants and contributions receivable is not considered necessary. Accounts receivable consist of amounts due from various customers, including retailers and wholesalers. The Center's management reviews the accounts receivable balances as a whole to determine the adequacy of its allowance for doubtful accounts. The Center maintains cash balances that may at times exceed federally insured limits. Cash balances are maintained at high-quality financial institutions and the Center believes the credit risk related to these cash balances is minimal.

Unrestricted Net Assets

Unrestricted net assets represent unrestricted revenue and expenses and grants or contributions without grantor-imposed restrictions. These funds are available for the overall operation of the Center, and include both internally-designated and undesignated resources.

The Board of Directors of the Center, through Board action, has designated part of the unrestricted fund balance for a specific use. The Center's Board-designated reserve fund is for use in the future if and when total revenues and other support are insufficient to cover total expenses. The level of this reserve is set annually.

Temporarily Restricted Net Assets

The Center reports grants as restricted support if they are received with grantor stipulations, such as time restrictions or restrictions as to the nature of the program that limits the use of the grants. When a grantor restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If the restriction is fulfilled in the same time period in which the contribution is received, it may be classified as an increase in unrestricted assets; however, the Center will generally report these amounts initially as an increase in temporarily restricted assets and show their release to unrestricted net assets when the restrictions are satisfied.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Costs which cannot be specifically indentified with a particular function and which benefit more than one functional category are allocated on the basis of the portion of time expended by the staff on the various functions.

Note 1. Organization and Significant Accounting Policies (Concluded)

Income Taxes

The Center has received a determination letter from the Internal Revenue Service, which approves its status as a not-for-profit organization exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Center is not considered to be a private foundation under the provisions of the Internal Revenue Code.

Uncertainty in income taxes recognized in the Center's financial statements is accounted for in accordance with the provisions of authoritative guidance issued by the FASB. Under this guidance, when tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others may be subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized tax benefits, along with any associated interest and penalties that would be payable to the taxing authorities upon examination. There was no liability for unrecognized tax benefits recognized in the statements of financial position at December 31, 2015 or 2014.

Note 2. Accounts Receivable

Accounts receivable consist of the following at December 31:

	2015	2014
Trade receivables	$ 626,267	$ 669,627
Allowance for book returns	(105,176)	(112,116)
Allowance for doubtful accounts	(6,745)	(6,813)
	$ 514,346	$ 559,698

Note 3. Inventory

Inventory consists of the following at December 31:

	2015	2014
Books for resale	$ 1,184,521	$ 1,422,155
Provision for write-downs	(103,938)	(158,471)
	$ 1,080,583	$ 1,263,684

Note 4. Royalty Advances

Royalty advances consist of the following at December 31:

	2015	2014
Royalty advances	$ 431,190	$ 435,569
Provision for write-downs	(196,731)	(187,303)
	$ 234,459	$ 248,266

Note 5. Property and Equipment

Property and equipment consists of the following at December 31:

	2015	2014
Equipment	$ 59,419	$ 48,783
Furniture and fixtures	23,433	27,758
Leasehold improvements	24,416	24,416
	$ 107,268	$ 100,957
Less: accumulated depreciation and amortization	(55,797)	(49,395)
	$ 51,471	$ 51,562

Note 6. Line of Credit

The Center had a line of credit agreement with a bank whereby the Center could borrow up to a maximum of $500,000. Borrowings under this line were due on demand, were secured by all of the Center's assets, and bore interest at the bank's prime rate plus 1.00%. The line of credit agreement required the Center to maintain certain financial covenants. The line of credit agreement expired in December 2015 and has not yet been renewed. The outstanding balance under the line of credit was $0 at both December 31, 2015 and 2014.

Note 7. Related Party Activities

During the years ended December 31, 2015 and 2014, the Center recorded grants and contributions from employees, directors and their family members as follows:

Year Issued	Type of Grant	Grant Amount
2015	Unrestricted grants and contributions	$ 276,077
2015	Restricted grants and contributions	$ 206,338
2014	Unrestricted grants and contributions	$ 312,577
2014	Restricted grants and contributions	$ 223,302

There were $5,000 and $0 of grants and contributions receivable from related parties as of December 31, 2015 and 2014, respectively.

Note 8. Retirement Plan

The Center maintains the Island Press Defined Contribution Retirement Plan (the Plan), a defined contribution plan, for all employees with more than one year of service. The Plan allows for contributions up to the maximum amount allowable by law. Employer matching contributions are not required, but can be made at the election of the Center. Participants are fully and immediately vested in both employee and Center contributions as well as earnings and losses thereon. The Center made no contributions to the Plan for the years ended December 31, 2015 or 2014.

Note 9. Major Grantors

As of December 31, 2015, two grantors accounted for 89% of the total grants and contributions receivable balance. As of December 31, 2014 two grantors accounted for 93% of the grants and contributions receivable balance.

During the year ended December 31, 2015 two grantors accounted for 35% of total grant revenue. During the year ended December 31, 2014 two grantors accounted for 76% of total grant revenue.

Note 10. Commitments

As of December 31, 2015, the Center leased office space and equipment under the terms of noncancelable operating leases. The Center entered into a lease for office space which commenced in September 2012 and will continue for a period of ten years and three months at an initial base rent of $17,498 per month. Annual increases under the lease are two and one half percent each year, except for the sixth year, when the increase will be two dollars per square foot. The lease contains certain incentives in the form of a build-out allowance and an abatement of rent for the first ninety-nine days of the lease term. The scheduled future minimum lease payments required under operating leases that have initial or remaining terms in excess of one year are as follows:

Years Ending December 31,	
2016	$ 232,942
2017	234,887
2018	240,405
2019	250,473
2020	256,735
Thereafter	532,885
	$ 1,748,327

In accordance with accounting principles generally accepted in the United States of America, the Center is recognizing the total cost of its office space lease ratably over the lease period. The cumulative difference between rent paid and that expensed is reflected as deferred rent.

Rent expense totaled $255,808 and $234,245 for the years ended December 31, 2015 and 2014, respectively.

Note 11. Presentation of Prior Year Financial Statements

Certain amounts and descriptions in the prior year financial statements have been modified for comparative purposes to conform with the presentation of the current year financial statements.

Note 12. Subsequent Events

The Center has evaluated events through May 12, 2016, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to December 31, 2015 that would have a material impact on the Center's results of operations or financial position.