AMERICAN FRIENDS SERVICE COMMITTEE

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

SEPTEMBER 30, 2016 AND 2015

AMERICAN FRIENDS SERVICE COMMITTEE

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Director
American Friends Service Committee
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of American Friends Service Committee (the "Committee") which comprise the statement of financial position as of September 30, 2016 and 2015, and the statements of activities and changes in net assets, 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 the Committee as of September 30, 2016 and 2015, 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.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
January 22, 2017

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENTS OF FINANCIAL POSITION

September 30, 2016 And 2015

	2016	2015
ASSETS		
ASSETS		
Cash and cash equivalents	$ 1,495,826	$ 1,012,828
Accounts and notes receivable – net	264,387	141,746
Income receivable and prepaid expenses	1,102,320	1,283,328
Investments:		
Planned giving ***(Note 3)***	58,951,211	58,686,057
Other long-term investments ***(Note 3)***	77,146,628	75,427,837
Investment in Friends Center ***(Note 4)***	3,030,657	3,124,253
Total investments	139,128,496	137,238,147
Land, buildings and equipment – net ***(Note 5)***	1,022,882	1,038,358
Other assets	47,998	50,087
Agency fund assets ***(Note 3)***	3,920,928	3,769,466
Total assets	$ 146,982,837	$ 144,533,960

	2016	2015
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 2,939,528	$ 2,598,764
Deferred income	955,130	917,207
Interest-free loans	897,366	1,307,066
Annuities and unitrusts payable	27,056,133	27,027,656
Liability for pension benefits (***Note 6)***	5,421,779	5,170,810
Liability for post-retirement benefits ***(Note 6)***	17,790,434	15,928,018
Agency funds	3,920,928	3,769,466
Total liabilities	58,981,298	56,718,987
NET ASSETS		
Unrestricted:		
Designated for current and future operations	16,340,752	20,514,417
Funds functioning as endowment ***(Note 7)***	20,370,182	17,072,201
Funded status of pension and informal retirement benefit plans ***(Note 6)***	(8,642,374)	(7,346,967)
Investment in Friends Center	3,030,657	3,124,253
Land, buildings and equipment	1,022,882	1,038,358
Total unrestricted	32,122,099	34,402,262
Temporarily restricted ***(Note 7)***:		
Time restricted	25,534,444	25,853,298
Purpose restricted	2,344,090	2,046,160
Accumulated gains on endowment assets	4,568,081	3,670,915
Total temporarily restricted assets	32,446,615	31,570,373
Permanently restricted ***(Note 7)***	23,432,825	21,842,338
Total net assets	88,001,539	87,814,973
Total liabilities and net assets	$ 146,982,837	$ 144,533,960

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended September 30, 2016 (With Comparative 2015 Totals)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Operating Revenues					
Public support:					
Contributions for current program work	$ 9,428,724	$ 3,463,185	$ -	$ 12,891,909	$ 11,016,464
Grants from foundations	-	4,143,864	-	4,143,864	3,313,340
Bequests	8,283,106	535,549	-	8,818,655	7,275,074
Contributions to planned giving program	623,636	146,934	-	770,570	1,330,806
Contributions to endowment funds	-	-	1,591,909	1,591,909	2,719,577
Total public support	18,335,466	8,289,532	1,591,909	28,216,907	25,655,261
Government grants	-	-	-	-	85,072
Investment income, net of fees, appropriated ***(Note 3)***	2,567,215	-	-	2,567,215	2,269,400
Program service income	342,810	-	-	342,810	443,477
Miscellaneous interest and other income	150,953	-	874	151,827	163,109
Net assets released from restrictions	9,711,633	(9,711,633)	-	-	-
Total revenues	31,108,077	(1,422,101)	1,592,783	31,278,759	28,616,319
Operating Expenses					
Program services:					
International programs	10,232,871	-	-	10,232,871	10,029,968
U.S. programs	18,823,009	-	-	18,823,009	18,043,737
Total program services	29,055,880	-	-	29,055,880	28,073,705
Program Support:					
Fund-raising	4,557,497	-	-	4,557,497	4,649,668
Management and general	3,646,672	-	-	3,646,672	3,422,112
Total program support	8,204,169	-	-	8,204,169	8,071,780
Total expenses	37,260,049	-	-	37,260,049	36,145,485
Changes in net assets from operations	(6,151,972)	(1,422,101)	1,592,783	(5,981,290)	(7,529,166)
Nonoperating Changes In Net Assets					
Investment gains (loss) not appropriated ***(Note 3)***	4,747,765	1,010,613	-	5,758,378	(6,276,108)
Actuarial (loss) gains on planned giving liabilities	(1,237,529)	1,314,721	-	77,192	(2,619,359)
Net gain (loss) from disposal/sale of assets	1,512,726	-	-	1,512,726	(323,931)
Pension and benefits adjustment	(1,207,488)	-	-	(1,207,488)	509,602
Other nonoperating changes in net assets	56,335	(26,991)	(2,296)	27,048	(250,647)
Changes in net assets	(2,280,163)	876,242	1,590,487	186,566	(16,489,609)
Net Assets					
Beginning of year	34,402,262	31,570,373	21,842,338	87,814,973	104,304,582
End of year	$ 32,122,099	$ 32,446,615	$ 23,432,825	$ 88,001,539	$ 87,814,973

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

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended September 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Operating Revenues				
Public support:				
Contributions for current program work	$ 8,364,032	$ 2,652,432	$ -	$ 11,016,464
Grants from foundations	-	3,313,340	-	3,313,340
Bequests	6,097,061	1,178,013	-	7,275,074
Contributions to planned giving program	1,265,325	65,481	-	1,330,806
Contributions to endowment funds	-	1,022,500	1,697,077	2,719,577
Total public support	15,726,418	8,231,766	1,697,077	25,655,261
Government grants	-	85,072	-	85,072
Investment income, net of fees, appropriated ***(Note 3)***	2,269,400	-	-	2,269,400
Program service income	443,477	-	-	443,477
Miscellaneous interest and other income	161,000	-	2,109	163,109
Net assets released from restrictions	9,620,822	(9,627,618)	6,796	-
Total revenues	28,221,117	(1,310,780)	1,705,982	28,616,319
Operating Expenses				
Program services:				
International programs	10,029,968	-	-	10,029,968
U.S. programs	18,043,737	-	-	18,043,737
Total program services	28,073,705	-	-	28,073,705
Program Support:				
Fund-raising	4,649,668	-	-	4,649,668
Management and general	3,422,112	-	-	3,422,112
Total program support	8,071,780	-	-	8,071,780
Total expenses	36,145,485	-	-	36,145,485
Changes in net assets from operations	(7,924,368)	(1,310,780)	1,705,982	(7,529,166)
Nonoperating Changes In Net Assets				
Investment gains (loss) not appropriated ***(Note 3)***	(3,723,305)	(2,552,803)	-	(6,276,108)
Actuarial (loss) gains on planned giving liabilities	(1,194,166)	(1,425,193)	-	(2,619,359)
Net loss from disposal/sale of assets	(323,931)	-	-	(323,931)
Pension and benefits adjustment	509,602	-	-	509,602
Other nonoperating changes in net assets	(236,116)	-	(14,531)	(250,647)
Changes in net assets	(12,892,284)	(5,288,776)	1,691,451	(16,489,609)
Net Assets				
Beginning of year	47,294,546	36,859,149	20,150,887	104,304,582
End of year	$ 34,402,262	$ 31,570,373	$ 21,842,338	$ 87,814,973

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENTS OF CASH FLOWS

For The Years Ended September 30, 2016 And 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	$ 186,566	$ (16,489,609)
Adjustments to reconcile total change in net assets to net cash (used) by operating activities		
Realized and unrealized losses (gains) on investments	(8,236,067)	4,539,527
Unrealized loss on Friends Center Corporation investment	93,596	174,780
Depreciation	109,951	139,664
(Gain) loss on sale of building	(1,512,726)	323,931
Contributions to endowment funds	(1,591,909)	(2,719,577)
Contributions to planned giving program	(770,570)	(1,330,806)
Matured gifts from planned giving program	2,446,017	2,923,484
Remainder interest in life estates	751,498	1,203,927
Adjustment for changes in planned giving liabilities	2,897,286	5,104,739
Adjustment for changes in pension and post-retirement benefits	1,207,488	(509,602)
Changes in assets and liabilities which provided (used) cash		
Accounts and notes receivable	(122,641)	33,837
Income receivable and prepaid expenses	181,008	(414,624)
Accounts payable and accrued liabilities	340,764	(529,306)
Deferred income	37,923	293,314
Liability for pension and post-retirement benefits	905,897	1,000,887
Net cash used in operating activities	(3,075,919)	(6,255,434)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, buildings, and equipment	(110,979)	(123,644)
Proceeds from sale of building	1,529,230	939,636
Purchases of investments	(37,521,613)	(39,354,143)
Sales of investments	44,401,621	48,909,308
Net cash provided by investing activities	8,298,259	10,371,157
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from interest-free loans	16,300	37,101
Repayment of interest-free loans	(426,000)	(111,500)
Cash received for endowment funds	1,340,950	1,018,179
Cash received for planned giving program	472,925	98,699
Matured gifts from planned giving program	(2,446,017)	(2,923,484)
Net benefit payments to annuitants	(3,697,500)	(3,715,513)
Net cash used by financing activities	(4,739,342)	(5,596,518)
Net increase (decrease) in cash and cash equivalents	482,998	(1,480,795)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,012,828	2,493,623
End of year	$ 1,495,826	$ 1,012,828

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2016

	Program Services			Program Support			
	International	**U.S.**	**Total Program Services**	**Fund-Raising**	**Management and General**	**Total Program Support**	**Total Expenses**
Compensation Expense:							
Salaries and benefits	$ 5,362,328	$ 13,287,334	$ 18,649,662	$ 2,718,377	$ 2,289,849	$ 5,008,226	$ 23,657,888
Net periodic pension and retiree medical expense	304,037	743,937	1,047,974	152,061	151,977	304,038	1,352,012
Net compensation expense	5,666,365	14,031,271	19,697,636	2,870,438	2,441,826	5,312,264	25,009,900
Professional fees and services	745,802	891,609	1,637,411	234,929	299,100	534,029	2,171,440
Occupancy	467,529	951,042	1,418,571	325,227	217,568	542,795	1,961,366
Risk management insurance	70,236	103,864	174,100	16,689	83,248	99,937	274,037
Office supplies	50,714	84,619	135,333	7,549	4,476	12,025	147,358
Equipment leasing, purchase, and repairs	79,359	236,841	316,200	9,629	18,885	28,514	344,714
Program activities	951,184	565,270	1,516,454	16,543	42,571	59,114	1,575,568
Telephone and communications	135,750	335,250	471,000	53,568	134,270	187,838	658,838
Postage and shipping	18,850	66,724	85,574	12,356	15,092	27,448	113,022
Travel	505,454	781,596	1,287,050	161,097	165,730	326,827	1,613,877
Conferences, conventions, and meetings	479,478	104,102	583,580	19,087	52,168	71,255	654,835
Fundraising appeals	136,303	287,838	424,141	788,428	-	788,428	1,212,569
Printing and publishing	64,003	146,809	210,812	23,769	43,973	67,742	278,554
Awards and grants	736,301	78,552	814,853	286	1,384	1,670	816,523
Miscellaneous expense	125,543	134,131	259,674	17,902	39,921	57,823	317,497
Total expenses before depreciation	10,232,871	18,799,518	29,032,389	4,557,497	3,560,212	8,117,709	37,150,098
Depreciation of buildings and equipment	-	23,491	23,491	-	86,460	86,460	109,951
Total expenses	$ 10,232,871	$ 18,823,009	$ 29,055,880	$ 4,557,497	$ 3,646,672	$ 8,204,169	$ 37,260,049

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

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2015

	Program Services			Program Support			
	International	**U.S.**	**Total Program Services**	**Fund-Raising**	**Management and General**	**Total Program Support**	**Total Expenses**
Compensation Expense:							
Salaries and benefits	$ 4,966,115	$ 12,455,042	$ 17,421,157	$ 2,696,036	$ 2,163,907	$ 4,859,943	$ 22,281,100
Net periodic pension and retiree medical expense	298,034	817,229	1,115,263	165,976	152,317	318,293	1,433,556
Net compensation expense	5,264,149	13,272,271	18,536,420	2,862,012	2,316,224	5,178,236	23,714,656
Professional fees and services	596,595	990,356	1,586,951	259,984	242,531	502,515	2,089,466
Occupancy	430,352	895,692	1,326,044	312,584	196,487	509,071	1,835,115
Risk management insurance	69,017	105,948	174,965	20,113	81,019	101,132	276,097
Office supplies	44,078	117,033	161,111	14,247	10,383	24,629	185,741
Equipment leasing, purchase, and repairs	87,306	261,039	348,345	23,459	29,067	52,525	400,871
Program activities	982,063	669,634	1,651,697	14,710	25,667	40,377	1,692,074
Telephone and communications	141,200	348,885	490,085	60,352	144,287	204,639	694,724
Postage and shipping	20,866	67,832	88,698	19,276	20,372	39,648	128,346
Travel	641,127	832,762	1,473,889	216,415	196,308	412,723	1,886,612
Conferences, conventions, and meetings	639,785	111,805	751,590	22,727	46,838	69,565	821,155
Fundraising appeals	-	12	12	753,544	-	753,544	753,556
Printing and publishing	63,773	177,248	241,021	40,963	50,195	91,158	332,179
Awards and grants	907,916	23,341	931,257	-	-	-	931,257
Miscellaneous expense	119,748	88,659	208,407	21,918	33,647	55,565	263,972
Total expenses before depreciation	10,007,975	17,962,517	27,970,492	4,642,304	3,393,025	8,035,329	36,005,821
Depreciation of buildings and equipment	21,993	81,220	103,213	7,364	29,087	36,451	139,664
Total expenses	$ 10,029,968	$ 18,043,737	$ 28,073,705	$ 4,649,668	$ 3,422,112	$ 8,071,780	$ 36,145,485

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

(1) BACKGROUND

The American Friends Service Committee (the ***"Committee"***) was founded in 1917 and is incorporated in the Commonwealth of Pennsylvania. Its purpose is to engage in religious, charitable, social, philanthropic, and relief work in the United States and in other countries on behalf of participating yearly meetings and other bodies of the Religious Society of Friends in the United States of America. The Committee is primarily funded by charitable contributions, grants, and bequests from individuals, corporations and foundations. The Committee has a central office, four (4) U.S. regional offices, thirty-two (32) area offices, two (2) branch offices, and sixteen (16) international project offices.

The Internal Revenue Service ***("IRS")*** has determined the Committee to be an "association of churches" and, therefore, exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The IRS has further determined that contributions made to the Committee are deductible by the donors to the extent allowed by law.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting and include all the accounts and funds of the Committee's national, regional, area, and international project offices. All material interoffice accounts have been eliminated.

CASH AND CASH EQUIVALENTS

The Committee considers all highly liquid financial instruments with effective maturities at the date of purchase of twelve months or less to be cash equivalents.

CONCENTRATION OF CREDIT RISK

The Committee is required to disclose significant concentrations of credit risk regardless of the degree of such risk. As of September 30, 2016, and 2015, the Committee maintained bank deposits that exceeded the limit of insurability under the Federal Deposit Insurance Corporation. The risk is managed by monitoring the financial institutions in which deposits are made.

RECEIVABLES

The Committee does not enter into legally enforceable contracts on promises of contributions with the exception of certain types of planned gifts. As a result, the Committee does not record pledges as income until the amounts are received.

INVESTMENTS

Investments are stated at fair value ***(See Note 3)***. The Committee allocates investment income for program work from its endowments and funds functioning as endowments, using the total return method. The Board of Directors has established a spending rate of 5%. This spending rate, which is applied to a three-year average of the net asset value of the related endowment funds, resulted in a Board-approved allocation for program work of $2,567,215 in 2016 and $2,269,400 in 2015. This allocated investment income is included in operating revenue on the statement of activities. Investment return on long-term investments not allocated for operations is included in "Non-operating changes in net assets" on the statement of activities.

INVESTMENT IN FRIENDS CENTER CORPORATION

The Friends Center Corporation ***("FCC")*** is a 501(c)(3) nonprofit organization comprised of three member organizations, including the Committee, the Philadelphia Yearly Meeting of the Religious Society of Friends ***("PYM")***, and Central Philadelphia Monthly Meeting ***("CPMM")***, and governed by an agreement among these organizations (the ***"FCC Agreement"***). The FCC constructed and operates the Friends Center complex in Philadelphia for the use by the Committee, other Quaker organizations, and organizations with similar beliefs. Certain provisions of the FCC Agreement permit each member organization to withdraw from FCC with proper notification. In the event of a withdrawal or dissolution, the Committee is entitled to receive an amount equal to 37% of the Friends Center's net assets, as defined in the FCC Agreement. The percentages for PYM and CPMM are 33% and 30%, respectively. The Committee accounts for its investment in FCC using the equity method of accounting. See Note 8 for further details on the Committee's transactions with FCC.

LAND, BUILDINGS, AND EQUIPMENT

The Committee follows the practice of recording land, buildings, furniture, and equipment, either purchased or contributed, with a cost or fair value in excess of $2,500 as assets. Depreciation is provided on the straight-line basis over the estimated useful lives (ranging from 3 to 50 years) of the assets.

INTEREST-FREE LOANS

Interest-free loans are comprised of amounts loaned to the Committee for unspecified periods of time, bearing no interest. All income and gains from the investment of such loans is available to the Committee for unrestricted use, unless specifically restricted by the lender, who may at any time recall only the original principal portion of the loan. Interest-free loans are received mainly from individuals, who wish to support the Committee.

ACCRUED PENSION AND POST-RETIREMENT BENEFITS AND FUNDING STATUS

FASB Accounting Standards Codification ***("FASB ASC")*** Topic 715, *Compensation – Retirement Benefits* (FASB ASC 715), requires an organization to recognize the over-funded or under-funded status of a defined benefit and post-retirement benefit plan in its statement of financial position and to recognize changes in funded status in the year in which the changes occur through changes in unrestricted net assets. Any over-funded status of the Committee's plan is shown as an asset under "Prepaid pension" on the accompanying statement of financial position and any under-funded status is a liability incorporated under the caption "liability for pension benefits" and "liability for post-retirement benefits." Changes in the funded status, net of the net periodic benefit cost, are shown within "Nonoperating changes in net assets" on the accompanying statement of activities. Underfunded liabilities of the defined benefit pension plan of $5,421,779 and $5,170,810 and total obligations of the informal post-retirement plan of $17,790,434 and $15,928,018 have been included in the statements of financial position as of September 30, 2016 and 2015, respectively.

ANNUITY AND LIFE INCOME GIFTS

Gifts under split-interest agreements, generally charitable gift annuities and charitable remainder unitrusts, are recorded at their fair value at date of receipt. Contribution revenue is recognized as the difference between the assets received and the actuarially determined liability to the beneficiaries.

Annuity liabilities are computed using standard life expectancy and annuity tables at a 7.5% rate of interest. The liability for such payments is subsequently adjusted for annuities paid and the effects of actuarial gains and losses. Charitable remainder unitrust liabilities are recorded at the present value of the estimated future payments to be distributed over the beneficiary's expected lives. The liability for such payments is subsequently adjusted to reflect amortization of the discount, revaluations of the present value of the estimated future payments to the beneficiaries, and changes in actuarial assumptions.

AGENCY FUNDS

Agency funds account for assets received by the Committee that are to be held or disbursed only on instructions of the individuals or organizations from which they were received. Included in the agency funds are the assets of the Committee's revocable trusts, 10-year trusts, and charitable trusts that designate a third party remainderman.

NET ASSETS

A description of each net asset category is as follows:

- *Unrestricted Net Assets*: Represents assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors, such as Board designations, which are as follows:

  - *Funds functioning as endowment*: Funds functioning as endowment represent unrestricted funds designated by the Board to maintain principal in the same manner as in the Endowment while using the income to support the operating activities of the Committee.

  - *Funded status of pension and informal retirement benefit plans*: The amount by which the pension plan and informal retirement benefit plan is funded as compared to the investments designated by the Committee for such purposes, but not placed in a separate trust, for the informal post-retirement benefit plan.

  - *Investment in Friends Center*: The Investment in Friends Center represents the Committee's equity in Friends Center Corporation ***(See Note 4)***.

  - *Land, building and equipment*: Land, building, and equipment is the net book value of land, buildings, furniture, and equipment.

- *Temporarily Restricted Net Assets*: Temporarily restricted net assets are those whose use by the Committee has been limited by donors for a specific purpose or time period. These net assets consist of gifts for which donor-imposed restrictions have not been met, and for accumulated gains recognized on permanently restricted endowments.

- *Permanently Restricted Net Assets*: Permanently restricted net assets consist of permanent endowment fund investments to be held indefinitely, the income from which is expendable for operations or with restrictions as noted by the donor.

CONTRIBUTIONS

Contributions and other public support are recorded as received and are considered available for unrestricted use unless specifically restricted by the donor. Investments, property, and other non-cash contributions are recorded at fair value at the date of gift or bequest. Temporarily and permanently restricted funds represent amounts donated or granted to the Committee, the use of which is specified by the donor as a condition of the donation or grant.

The Committee's Planned Giving Program allows donors to contribute to the Committee and at the same time receive lifetime income payments to their designated beneficiaries. Charitable gift annuities and charitable gift funds are classified as unrestricted. All other planned gifts are classified as temporarily restricted until the beneficiaries' death, after which they are unrestricted unless specified otherwise by the donor.

ESTIMATES AND ASSUMPTIONS

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 amounts reported in the financial statements and related disclosures and, therefore, actual results could differ from those estimates.

RECLASSIFICATIONS

Certain reclassifications to the 2015 financial statements were made to conform to the 2016 presentation.

NEW ACCOUNTING STANDARDS

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent).* This ASU was issued to address the diversity in practice relating to how certain investments measured at net asset value are categorized in the fair value hierarchy. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. ASU 2015-07 is effective for the Committee's fiscal year beginning October 1, 2016; early adoption is permitted. The Committee elected to adopt the guidance for the fiscal year beginning October 1, 2015. The guidance is retrospective, and the adoption of this ASU impacted disclosures related to investments.

(3) INVESTMENTS

The Committee used various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles established a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets at the measurement date for identical assets and/or liabilities. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes contracts traded on active exchange markets valued using unadjusted prices quoted directly from the exchange.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost benefit constraints.

Common Stocks: Level 1 common stocks represent an actively managed portfolio of registered securities. These securities trade in active stock markets and are based on daily quoted market prices.

Mutual Funds: Level 1 mutual funds represent international equity funds. These securities trade in active stock markets and are based on daily quoted market prices.

Bonds: Level 2 bonds represent an actively managed portfolio of registered securities. These securities trade in active markets and inputs used to value these bonds generally include relative credit information, observed market movements, sector news, spread to the U.S. Treasury market and other market information.

Cash and Cash Equivalents represent money market funds and are classified as Level 1 investments.

Commingled Funds include commingled funds with underlying securities that have observable Level 1 quoted inputs; however, these commingled funds are not traded in public markets and the net asset value (NAV) is calculated at the end of each month. Redemptions and purchases may be made on the first business day of each month using the prior month's NAV.

Other investments, classified as Level 3, include deeds, leases, property for resale, and insurance policies and are generally listed at contributed value.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the Committee's investments as of September 30, 2016 and 2015 are as follows:

		Fair Value Measurement At Reporting Date Using:			
2016	**Total Fair Value**	**Observable Inputs (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**	**Net Asset Value**
Planned Giving Investments:					
Common Stocks	$ 23,470,626	$ 23,470,626	$ -	$ -	$ -
Mutual Funds	4,888,046	4,888,046	-	-	-
Bonds	20,444,903	-	20,444,903	-	-
Commingled Funds	6,360,830	-	-	-	6,360,830
Other	21,105	-	-	21,105	-
Cash and Cash Equivalents	3,765,701	3,765,701	-	-	-
Total Planned Giving Investments	$ 58,951,211	$ 32,124,373	$ 20,444,903	$ 21,105	$ 6,360,830
Other Long Term Investments:					
Common Stocks	$ 32,980,999	$ 32,980,999	$ -	$ -	$ -
Bonds	15,099,551	-	15,099,551	-	-
Commingled Funds	24,449,141	-	-	-	24,449,141
Other	44,550	-	-	44,550	-
Cash and Cash Equivalents	4,572,387	4,572,387	-	-	-
Total Other Long-Term Investments	$ 77,146,628	$ 37,553,386	$ 15,099,551	$ 44,550	$ 24,449,141
Total Investments	$ 136,097,839	$ 69,677,759	$ 35,549,082	$ 66,655	$ 30,809,971
Agency Fund Assets:					
Common Stocks	$ 1,450,938	$ 1,450,938	$ -	$ -	$ -
Mutual Funds	539,804	539,804	-	-	-
Bonds	1,468,212	-	1,468,212	-	-
Commingled Funds	6,046	-	-	-	6,046
Cash and Cash Equivalents	455,928	455,928	-	-	-
Total Agency Fund Assets	$ 3,920,928	$ 2,446,670	$ 1,468,212	$ -	$ 6,046

Reconciliation of assets measured at Fair Value on a recurring basis using Significant Unobservable Inputs (Level 3):

	Beginning Market Value	**Gains/ (Losses)**	**Revenue**	**Additions/ (Withdrawals)**	**Ending Market Value**
Planned Giving Investments	$ 41,138	$ (20,033)	$ 10,585	$ (10,585)	$ 21,105
Other Long-Term Investments	62,095	(6,677)	3,528	(14,396)	44,550
	$ 103,233	$ (26,710)	$ 14,113	$ (24,981)	$ 65,655

2015	Total Fair Value	Fair Value Measurement At Reporting Date Using: Observable Inputs (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Net Asset Value
Planned Giving Investments:					
Common Stocks	$ 22,779,032	$ 22,779,032	$ -	$ -	$ -
Mutual Funds	4,549,861	4,549,861	-	-	-
Bonds	21,396,249	-	21,396,249	-	-
Commingled Funds	6,244,112	-	-	-	6,244,112
Other	41,138	-	-	41,138	-
Cash and Cash Equivalents	3,675,665	3,675,665	-	-	-
Total Planned Giving Investments	$ 58,686,057	$ 31,004,558	$ 21,396,249	$ 41,138	$ 6,244,112
Other Long Term Investments:					
Common Stocks	$ 32,087,639	$ 32,087,639	$ -	$ -	$ -
Bonds	16,535,060	-	16,535,060	-	-
Commingled Funds	21,884,782	-	-	-	21,884,782
Other	62,094	-	-	62,094	-
Cash and Cash Equivalents	4,858,262	4,858,262	-	-	-
Total Other Long-Term Investments	$ 75,427,837	$ 36,945,901	$ 16,535,060	$ 62,094	$ 21,884,782
Total Investments	$ 134,113,894	$ 67,950,459	$ 37,931,309	$ 103,232	$ 28,128,894
Agency Fund Assets:					
Common Stocks	$ 1,373,384	$ 1,373,384	$ -	$ -	$ -
Mutual Funds	488,878	488,878	-	-	-
Bonds	1,518,027	-	1,518,027	-	-
Commingled Funds	5,422	-	-	-	5,422
Cash and Cash Equivalents	383,755	383,755	-	-	-
Total Agency Fund Assets	$ 3,769,466	$ 2,246,017	$ 1,518,027	$ -	$ 5,422

Reconciliation of assets measured at Fair Value on a recurring basis using Significant Unobservable Inputs (Level 3):

	Beginning Market Value	Gains/ (Losses)	Revenue	Additions/ (Withdrawals)	Ending Market Value
Planned Giving Investments	$ 59,123	$ (17,985)	$ 15,943	$ (15,943)	$ 41,138
Other Long-Term Investments	57,221	(5,995)	5,608	5,260	62,094
	$ 116,344	$ (23,980)	$ 21,551	$ (10,683)	$ 103,232

There were no transfers between Level 1 and Level 2 during the years ended September 30, 2016 and 2015.

Commingled funds which are measured at Net Asset Value and the investment objective of each holding are as follows:

	Fair Value
International Equity Fund [(a)]	$ 19,439,729
Global and Emerging Markets Bond Fund [(b)]	7,680,333
Commodity Fund [(c)]	3,695,955
Total Commingled Funds	$ 30,816,017

There were no unfunded commitments on the commingled funds at September 30, 2016.

(a) This fund's investment objectives are to preserve and build capital by investing in economically and geographically diversified portfolios of non-U.S. stocks. Focus is on investments with high quality medium-to-large capitalization companies that are undervalued relative to their long-term fundamental outlook. Redemptions and purchases can be made on the first business day of each month with 10 days' notice.

(b) These fund's investment objectives are to achieve favorable income-oriented returns from globally diversified portfolios of primarily debt or debt-like securities, of both established and emerging financial markets. An associated objective is the preservation and enhancement of principal. Redemptions and purchases can be made on the first business day of each month with 10 days' notice.

(c) This fund's investment objectives are to provide an enhancement to an investor's portfolio of financial investments and to provide a partial inflation hedge with an attractive risk/return portfolio as compared to other products using a commodity index or a pool of commodities. Redemptions and purchases can be made on the first business day of each month with 5 days' notice.

Components of investment (loss) income on total investments excluding the planned giving assets other than the charitable gift annuities for the years ended September 30, 2016 and 2015 are as follows:

	2016	2015
Dividends and interest	$ 1,486,449	$ 1,856,742
Net realized and unrealized (loss) gain on investments	8,236,067	(4,538,666)
Net realized loss on FCC	(93,596)	(174,780)
Net realized loss on life estate	-	(2,129)
Investment fees	(1,303,327)	(1,147,875)
Total investment (loss) income, net of fees	8,325,593	(4,006,708)
Less: investment income appropriated	(2,567,215)	(2,269,400)
Investment (losses) gains not appropriated	$ 5,758,378	$ (6,276,108)

Certain states require investments to be segregated (reserves) for planned giving charitable gift annuity contracts. The general reserve follows the State of New York guidelines, which is the actuarial present value liability, plus 26.5%. There are also additional requirements for other states in which annuitant's reside.

The 2016 reserve was calculated as follows:

Actuarial present value liability - California	$ 3,073,869
Actuarial present value liability – Florida	219,012
10% additional reserves	21,901
Actuarial present value liability – General (New York)	10,648,114
26.5% additional reserves	2,821,750
Actuarial present value liability – Tennessee	9,066
10% additional reserves	907
Total Required Reserve	$ 16,794,619

Gift annuity investments amounted to $24,251,104 at September 30, 2016. The additional reserves of $2,844,558 are included in the designated for current and future operations of the unrestricted net assets but are required to be maintained in a segregated investment account for the benefit of the charitable gift annuitants.

(4) INVESTMENT IN FRIENDS CENTER

Summarized audited financial information for the Friends Center Corporation ***("FCC")*** for the years ended June 30, 2016 and 2015 are as follows:

Balance Sheet (Accrual Basis)

	2016	2015
Total Assets	$ 14,743,643	$ 15,204,460
Total Liabilities	$ 6,550,678	$ 6,760,532
Net Assets	8,192,965*	8,443,928*
Total Liabilities and Net Assets	$ 14,743,643	$ 15,204,460

***** The Committee's 37.0% equity interest of $3,030,657 and $3,124,253 as of June 30, 2016 and 2015, respectively, is recorded as "Investment in Friends Center" in the statement of financial position. Its share of the FCC's net changes in net assets was $(93,596) and $(174,780) for the years ended June 30, 2016 and 2015, respectively, which is disclosed within "Investment (losses)/ gains not appropriated" in the statement of activities.

(5) LAND, BUILDINGS, AND EQUIPMENT

A summary of land, buildings and equipment as of September 30, 2016 and 2015, is as follows:

	2016	2015
Non-depreciable assets		
Land	$ 42,455	$ 58,958
Depreciable assets		
Buildings	1,219,391	1,196,225
Furniture and equipment	1,271,656	1,183,844
Subtotal – depreciable assets	2,491,047	2,380,069
Accumulated depreciation	(1,510,620)	(1,400,669)
Subtotal – depreciable assets, net	980,427	979,400
Total land, buildings and equipment, net	$ 1,022,882	$ 1,038,358

Depreciation was $109,951 and $139,664 for the years ended September 30, 2016 and 2015, respectively.

(6) PENSION PLANS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Committee has a formal defined benefit pension plan covering substantially all employees. The benefits are based upon years of service and the employee's five highest years of compensation. The Committee serves as trustee for the plan, but otherwise the plan is an independent entity whose assets are not available for other Committee uses.

The Committee is not required to comply with the Employee Retirement Income Security Act of 1974 ***("ERISA")*** because of the Committee's status as an "association of churches." However, the formal plan includes certain provisions that do comply with ERISA.

The Committee also has an informal postretirement benefits plan that provides medical benefits to all its retirees who retire directly from the Committee. The Committee has designated $14,569,839 and $13,751,861 at September 30, 2016 and 2015, respectively, of investments for the informal post-retirement benefits plan. The plan is discretionary and the Committee has no contractual obligation and as such, the designated investments of the plan are considered to be unrestricted, but designated for this purpose. The Committee pays the cost of the related insurance premiums when due and retirees contribute to the cost of this plan.

The following amounts relate to the Committee's defined benefit pension plan and the informal postretirement benefit plans at September 30:

	Pension Plan		Informal Postretirement Medical Benefits Plan	
	2016	2015	2016	2015
	(Dollars In Thousands)			
Fair value of plan assets	$ 46,832	$ 44,952	$ -	$ -
Projected benefit obligation	52,254	50,123	17,790	15,928
Unfunded status	$ (5,422)	$ (5,171)	$ (17,790)	$ (15,928)

The principal assumptions used in determining the actuarial present value of the projected benefit obligation for the defined benefit plan and the informal postretirement benefit plans were as follows:

	Defined Benefit Pension Plan		Informal Postretirement Medical Benefits Plan	
	2016	2015	2016	2015
Discount Rate	4.00%	4.50%	4.00%	4.50%
Expected return on Plan Assets	7.50%	7.50%	-	-
Rate of Compensation Increase	3.00%	3.00%	-	-

The following is the expense recognized, contributions made and plan benefits paid:

	Defined Benefit Pension Plan		Informal Postretirement Medical Benefits Plan	
	2016	2015	2016	2015
	(In Thousands)			
Pension expense (credit)	$ 250	$ (173)	$ 2,303	$ 2,094
Contributions	$ -	$ -	$ 440	$ 430
Benefits Paid	$ (2,371)	$ (2,398)	$ (804)	$ (780)
Components of Net Periodic Benefit Cost				
Service cost	$ 1,046	$ 1,229	$ 538	$ 454
Interest cost	2,143	2,401	711	638
Return on plan assets	(3,263)	(3,607)	-	-
Recognized net actuarial (gain) loss	391	778	(200)	(446)
Amortization of prior service cost	-	-	(13)	(13)
Net periodic pension/postretirement cost	$ 317	$ 801	$ 1,036	$ 633

During the year ended September 30, 2016, there were changes in assumptions made relating to mortality which decreased the defined benefit pension plan liability by approximately $894,000. In 2016, a change in the discount rate increased the liability by approximately $3,271,000.

During the year ended September 30, 2015, there were changes in assumptions made relating to mortality and cost of living adjustments which decreased the defined benefit pension plan liability by approximately $5,900,000.

During the year ended September 30, 2016, there were changes in assumptions made relating to mortality which decreased the liability for the informal postretirement medical benefits plan by approximately $520,000. In 2016, a change in the discount rate increased the liability by approximately $1,386,000.

During the year ended September 30, 2015, there were changes in assumptions made relating to mortality and claim cost which increased the liability for the informal postretirement medical benefits plan by approximately $800,000.

The long-term investment strategy for the pension plan's assets is to: meet present and future benefit obligations to all participants and beneficiaries; cover reasonable expenses incurred to provide such benefits; and provide total return that maximized the ratio of assets to liabilities by maximizing investment return at the appropriate level of risk. The expected return on plan assets equals a weighted average of the individual expected returns for each asset category in the plans' portfolio.

The pension plan asset allocations by asset category are as follows:

Asset Category	2016
Equities	44.63%
Fixed Income	19.94%
Commingled Funds	28.14%
Cash and Cash Equivalents	7.29%
Total	100.00%

The summary of inputs used to value the Committee's Formal plan assets carried at fair value as of September 30, 2016 and 2015 were as follows:

	2016				
	Total	Level 1 Quoted Prices	Level 2 Other Significant Inputs	Level 3 Significant Unobservable Inputs	Net Asset Value
Common Stock	$ 20,901,057	$ 20,901,057	$ -	$ -	$ -
Bonds	9,339,015	-	9,339,015	-	-
Commingled Funds	13,180,226	-	-	-	13,180,226
Cash and Cash Equivalents	3,411,481	3,411,481	-	-	-
	$ 46,831,779	$ 24,312,538	$ 9,339,015	$ -	$ 13,180,226

	2015				
	Total	Level 1 Quoted Prices	Level 2 Other Significant Inputs	Level 3 Significant Unobservable Inputs	Net Asset Value
Common Stock	$ 19,909,836	$ 19,909,836	$ -	$ -	$ -
Bonds	10,254,004	-	10,254,004	-	-
Commingled Funds	12,067,470	-	-	-	12,067,470
Cash and Cash Equivalents	2,721,069	2,721,069	-	-	-
	$ 44,952,379	$ 22,630,905	$ 10,254,004	$ -	$ 12,067,470

Commingled funds which are measured at Net Asset Value and the investment objective of each holding are as follows:

	Fair Value
International Equity Fund [a]	$ 9,767,536
Global and Emerging Markets Bond Funds [b]	3,412,690
Total Commingled Funds	$13,180,226

There were no unfunded commitments on the commingled funds at September 30, 2016.

(a) This fund's investment objectives are to preserve and build capital by investing in economically and geographically diversified portfolios of non-U.S. stocks. Focus is on investments with high quality medium-to-large capitalization companies that are undervalued relative to their long-term fundamental outlook. Redemptions and purchases can be made on the first business day of each month with 10 days' notice.

(b) These fund's investment objectives are to achieve favorable income-oriented returns from globally diversified portfolios of primarily debt or debt-like securities, of both established and emerging financial markets. An associated objective is the preservation and enhancement of principal. Redemptions and purchases can be made on the first business day of each month with 10 days' notice.

Benefit payments, which reflect expected future service, as appropriate, that are anticipated to be paid for the years ending September 30, are as follows:

	Pension Plan	Informal Pension Plan
2017	$ 2,697,000	$ 641,000
2018	2,741,000	661,000
2019	2,859,000	655,000
2020	2,937,000	686,000
2021	3,057,000	694,000
2022 – 2026	10,652,000	4,195,000
Total	$24,943,000	$ 7,532,000

(7) NET ASSETS

Temporarily restricted net assets for 2016 and 2015 are available for the following purposes:

	2016	2015
Purpose-restricted		
International programs	$ 165,072	$ 67,763
U.S. programs	443,364	606,941
Courageous Acts campaign	1,494,600	1,011,414
Program support	241,054	360,042
Total purpose restricted	2,344,090	2,046,160
Time-restricted (planned gifts)*	25,534,444	25,853,298
Accumulated gain on endowment assets	4,568,081	3,670,915
Total	$32,446,615	$31,570,373

**** Includes $3,939,411 and $3,837,700 of term endowments as of September 30, 2016 and 2015, respectively.***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2016	2015
International programs	$ 1,668,714	$ 2,242,678
U.S. programs	3,921,497	2,905,368
Courageous Acts campaign	1,469,062	1,113,020
Program support	785,395	1,463,545
Time Restrictions met	1,866,965	1,903,007
	$ 9,711,633	$ 9,627,618

PERMANENTLY RESTRICTED NET ASSETS ENDOWMENT FUNDS

Restricted endowment funds account for the principal amount of gifts and bequests accepted with the donor's stipulation that the principal be maintained in perpetuity or until the occurrence of a specified event or for a specified period. The income from the investment of such funds is available for unrestricted use, unless specifically restricted by the donor.

Endowment net asset composition by type of fund as of September 30, 2016 and 2015:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 8,507,491	$ 23,432,825	$ 31,940,316
Funds functioning as endowment	20,370,182	-	-	20,370,182
Total funds	$ 20,370,182	$ 8,507,491	$ 23,432,825	$ 52,310,498

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 7,508,615	$ 21,842,338	$ 29,350,953
Funds functioning as endowment	17,072,201	-	-	17,072,201
Total funds	$ 17,072,201	$ 7,508,615	$ 21,842,338	$ 46,423,154

Change in endowment net assets for the years ended September 30, 2016 and 2015:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 30, 2015	$17,072,201	$ 7,508,615	$21,842,338	$46,423,154
Investment return:				
Investment income, net of fees	109,885	174,346	-	284,231
Net realized/unrealized gains (losses)	1,501,922	2,434,526	(1,422)	3,935,026
Total investment return	1,611,807	2,608,872	(1,422)	4,219,257
Contributions and other transfers	2,670,385	-	1,591,909	4,262,294
Appropriation of assets for expenditure in accordance with the spending policy	(984,211)	(1,583,004)	-	(2,567,215)
Other changes:				
Term endowment principal transferred to general funds	-	(26,992)	-	(26,992)
Endowment net assets, September 30, 2016	$20,370,182	$ 8,507,491	$23,432,825	$52,310,498

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 30, 2014	$17,143,052	$ 9,228,350	$20,150,887	$46,522,289
Investment return:				
Investment income, net of fees	123,509	213,020	-	336,529
Net realized/unrealized gains (losses)	(894,757)	(1,489,110)	(5,626)	(2,389,493)
Total investment return	(771,248)	(1,276,090)	(5,626)	(2,052,964)
Contributions and other transfers	1,532,840	1,022,500	1,697,077	4,252,417
Appropriation of assets for expenditure in accordance with the spending policy	(832,443)	(1,436,957)	-	(2,269,400)
Other changes:				
Term endowment principal transferred to general funds	-	(29,188)	-	(29,188)
Endowment net assets, September 30, 2015	$17,072,201	$ 7,508,615	$21,842,338	$46,423,154

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or state standards require the Committee to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2016 and 2015.

(8) RELATED PARTY TRANSACTIONS

In connection with the renovations of the Friends Center, Economic Development Revenue Bonds ("Bonds") were issued through the Narberth Industrial Development Authority to Friends Center Corporation. The Friends Center is responsible for the payment of debt service on the Bonds, which is passed onto the partners of the Friends Center in the annual rent. At June 30, 2016, the Friends Center's fiscal year-end, the Bonds, which mature in 2038, had an outstanding balance of approximately $6.4 million and is guaranteed, jointly and severally by the Committee and the other partners of the Friends Center.

(9) ALLOCATION OF JOINT COSTS

For the years ended September 30, 2016 and 2015, the Committee incurred joint costs of $1,564,364 and $1,509,697 for informational materials and activities that included fund-raising appeals. For the years ended September 30, 2016 and 2015, these joint costs were allocated as follows:

	2016	2015
Fundraising	$ 913,522	$ 935,971
International Programs	209,305	217,518
US Programs	441,537	356,208
Total	$ 1,564,364	$ 1,509,697

(10) COMMITMENTS

COMMITMENTS

The Committee leases certain facilities where the Committee has program offices under leases expiring through September 2020. In addition, the Committee leases certain office equipment under operating leases expiring through June 2021. Most international office leases are paid in advance or are month-to-month basis.

The minimum annual rentals payable under the leases are as follows:

Year Ending September 30,	
2017	$ 571,850
2018	417,828
2019	284,798
2020	174,633
2021	22,543
Future minimum lease payments	$ 1,471,652

(11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 22, 2017, the date which the financial statements were available to be issued. There were no material subsequent events required to be disclosed.