

Financial Statements
Years Ended
December 31, 2011 and 2010



PHYSICIANS *for* PEACE

FOUNDED 1989



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisers

Physicians for Peace

Contents

	Page
<i>Report of Independent Auditors</i>	1
<i>Financial Statements</i>	
<i>Statements of Financial Position</i>	2
<i>Statements of Activities</i>	3
<i>Statement of Functional Expenses</i>	4
<i>Statements of Cash Flows</i>	5
<i>Notes to Financial Statements</i>	6 - 15



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Report of Independent Auditors

Board of Directors
Physicians for Peace

We have audited the accompanying statement of financial position of ***Physicians for Peace*** (Organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from ***Physicians for Peace's*** December 31, 2010 financial statements and, in our report dated May 24, 2011, we expressed an unqualified opinion on those financial statements.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Physicians for Peace*** as of December 31, 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Virginia Beach, Virginia
June 22, 2012

Physicians for Peace

Statements of Financial Position

December 31,	2011	2010
Assets		
Current assets		
Cash and cash equivalents	\$ 235,903	\$ 582,558
Cash and cash equivalents - restricted	52,739	-
Current portion of contributions receivable	33,500	30,200
Other receivables	4,893	-
Inventory	413,281	965,531
Total current assets	740,316	1,578,289
Furniture and equipment - net	35,051	26,340
Investments	8,928,081	9,612,274
Contributions receivable - net of current portion	25,145	24,469
Deposits	12,936	20,216
	\$ 9,741,529	\$ 11,261,588
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 103,139	\$ 118,229
Security deposit	1,600	1,600
Accrued rent	42,176	38,964
Total liabilities	146,915	158,793
Net assets		
Unrestricted	382,346	1,087,430
Unrestricted - board designated	8,928,081	9,612,274
Temporarily restricted	244,187	363,091
Permanently restricted	40,000	40,000
Total net assets	9,594,614	11,102,795
	\$ 9,741,529	\$ 11,261,588

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

Physicians for Peace

Statements of Activities

Year Ended December 31, 2011 with Comparative Totals for 2010

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total	Total 2010
Public support and revenue					
In-kind contributions - supplies	\$ 8,030,358	\$ 29,842	\$ -	\$ 8,060,200	\$ 9,930,491
In-kind contributions - services and other	680,395	-	-	680,395	925,503
	<u>8,710,753</u>	<u>29,842</u>	<u>-</u>	<u>8,740,595</u>	<u>10,855,994</u>
Contributions	460,040	779,918	-	1,239,958	1,152,282
Special events revenue	178,292	-	-	178,292	142,096
Rental income	7,700	-	-	7,700	11,854
	<u>646,032</u>	<u>779,918</u>	<u>-</u>	<u>1,425,950</u>	<u>1,306,232</u>
Net assets released from restrictions	929,068	(929,068)	-	-	-
Total public support, revenue and other income	<u>10,285,853</u>	<u>(119,308)</u>	<u>-</u>	<u>10,166,545</u>	<u>12,162,226</u>
Expenses					
Program services	11,074,904	-	-	11,074,904	12,279,521
Management and general	266,769	-	-	266,769	250,845
Fundraising	367,296	-	-	367,296	310,852
Total expenses	<u>11,708,969</u>	<u>-</u>	<u>-</u>	<u>11,708,969</u>	<u>12,841,218</u>
Change in net assets from operations	<u>(1,423,116)</u>	<u>(119,308)</u>	<u>-</u>	<u>(1,542,424)</u>	<u>(678,992)</u>
Investment income (expense)					
Investment income	208,502	404	-	208,906	229,319
Investment expenses	(38,856)	-	-	(38,856)	(50,807)
Net realized and unrealized gains (losses)	(135,807)	-	-	(135,807)	840,898
	<u>33,839</u>	<u>404</u>	<u>-</u>	<u>34,243</u>	<u>1,019,410</u>
Change in net assets	<u>(1,389,277)</u>	<u>(118,904)</u>	<u>-</u>	<u>(1,508,181)</u>	<u>341,857</u>
Net assets - beginning of year	<u>10,699,704</u>	<u>363,091</u>	<u>40,000</u>	<u>11,102,795</u>	<u>10,760,938</u>
Net assets - end of year	<u>\$ 9,310,427</u>	<u>\$ 244,187</u>	<u>\$ 40,000</u>	<u>\$ 9,594,614</u>	<u>\$ 11,102,795</u>

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

Physicians for Peace

Statements of Functional Expenses

Year Ended December 31, 2011 with Comparative Totals for 2010

	Program Expenses	Management and General	Fundraising	Expenses Total	Total 2010
In-kind donations	\$ 8,612,450	\$ -	\$ -	\$ 8,612,450	\$ 9,635,092
Donated services	677,396	-	-	677,396	859,951
	<u>9,289,846</u>	<u>-</u>	<u>-</u>	<u>9,289,846</u>	<u>10,495,043</u>
Staff costs	639,603	176,220	193,746	1,009,569	998,902
Grants to subrecipients	389,805	-	-	389,805	-
Mission travel	260,502	-	-	260,502	322,948
Rent and occupancy	106,859	30,350	36,989	174,198	200,161
Technology and equipment	30,321	21,789	35,502	87,612	73,328
Shipping	85,051	-	-	85,051	92,955
Special events	41,895	-	33,272	75,167	64,269
Direct mail, annual report, photo/video	29,936	-	37,363	67,299	53,577
Contract labor	64,635	-	-	64,635	65,839
Direct mission support	59,904	-	-	59,904	114,938
Office expense	19,009	11,006	17,466	47,481	83,538
Medical equipment and supplies	29,937	-	-	29,937	72,583
Accounting and audit	7,889	8,706	10,610	27,205	26,819
Insurance	12,082	2,129	2,348	16,559	14,740
Depreciation	-	8,522	-	8,522	8,308
Other	5,130	2,847	-	7,977	680
Uncollectible pledge expense	-	5,200	-	5,200	15,000
Consulting fees	2,500	-	-	2,500	134,712
	<u>1,785,058</u>	<u>266,769</u>	<u>367,296</u>	<u>2,419,123</u>	<u>2,343,297</u>
	<u>\$ 11,074,904</u>	<u>\$ 266,769</u>	<u>\$ 367,296</u>	<u>\$ 11,708,969</u>	<u>\$ 12,838,340</u>

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

Physicians for Peace

Statements of Cash Flows

Years Ended December 31	2011	2010
Cash flows from operating activities		
Change in net assets	\$ (1,508,181)	\$ 341,857
Adjustments to reconcile to cash from operating activities:		
Depreciation	8,522	8,308
Net realized and unrealized losses (gains) on investments	135,807	(840,898)
Reinvested interest and dividends	(208,906)	(229,319)
Uncollectible pledge expense	5,200	15,000
Loss on disposal	874	-
Change in:		
Contributions receivable	(9,176)	18,604
Other receivables	(4,893)	-
Inventory	552,250	(315,402)
Deposits	7,280	(9,384)
Accounts payable and accrued expenses	(11,877)	101,418
Net cash from operating activities	<u>(1,033,100)</u>	<u>(909,816)</u>
Cash flows from investing activities		
Purchase of furniture and equipment	(18,857)	(22,048)
Proceeds on sale of assets	750	-
Proceeds from sale of investments	857,292	961,939
Purchase of investments	(100,000)	(6,991)
Net cash from investing activities	<u>739,185</u>	<u>932,900</u>
Net change in cash and cash equivalents	(293,916)	23,084
Cash and cash equivalents - beginning of year	<u>582,558</u>	<u>559,474</u>
Cash and cash equivalents - end of year	<u>\$ 288,642</u>	<u>\$ 582,558</u>

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

Physicians for Peace

Notes to Financial Statements

December 31, 2011

1. Organization and Nature of Activities

Physicians for Peace (Organization) is a private, not-for-profit, medical education organization founded in 1989 to further the cause of world peace and international friendship. The Organization, which is based in Virginia, has conducted numerous medical education programs in various countries for the past two decades with a focus on teaching, long-term sustainability, and self-sufficiency. Effective April 7, 2011, the Organization's name changed from Physicians for Peace Foundation to Physicians for Peace.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

Restricted Cash

The Organization currently receives grant funds used to fund certain programs. Included in restricted cash, which are required to be kept in a separate bank account, are amounts received from grantors for the continuance of the Walking Free program. Restricted cash at December 31, 2011 was \$52,739.

Inventory

Inventory is composed primarily of medical supplies, personal care items and other commodities and is stated at the lower of cost, determined using the average cost method of valuation, or market. Approximately \$379,000 or 92% of inventory at December 31, 2011 consisted of eyeglasses and orthotic supplies for prosthetic limbs.

Investments

The Organization's investments consist of various cash and cash equivalents, equity securities, and mutual funds maintained in different investment brokerage accounts. Also, included in the Organization's investment portfolio is an approximately 5% interest in a limited liability company that actively owns and trades debt and equity securities and other financial instruments. The Organization's investments are reported at their fair values. Unrealized and realized gains and losses on investments are recognized in the statement of activities as increases or decreases in unrestricted net assets.

Contributions

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Contributions receivable consist of unconditional promises to give that are expected to be collected in future years and are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Management reviews contributions receivable yearly to determine the need for any allowance. Once management determines that a receivable is unlikely to be collected, an allowance is provided. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Conditional promises to give are not included as support until the conditions are substantially met. Management has determined that no allowance was needed as of December 31, 2011.

Furniture and Equipment

Furniture and equipment are recorded at cost, or if donated, such assets are capitalized at the estimated fair market value at the date of receipt. It is the Organization's policy to capitalize all purchases of property and equipment above \$1,000. When assets are sold or otherwise disposed, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5 years
Furniture	5 - 7 years
Software	5 years

Unrestricted Net Assets

Unrestricted net assets are available for use in general operations unless designated by the Board of Directors.

Unrestricted - board designated net assets consist of net assets designated by the Board of Directors for use in building the quasi-endowment.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of assets whose use is stipulated by donors for specific operating purposes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets consist of assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization. The restrictions stipulate that resources be maintained permanently but permits the Organization to expend the income generated in accordance with the provisions of the agreement.

In-Kind Contributions - Supplies

The Organization receives donations of medical supplies, personal care items and other commodities for use in relief and development programs. Such gifts are recorded at their estimated fair market value at the date of donation and were valued at \$8,060,200 during 2011.

Donated Services

The Organization records donated services which consists of time spent by doctors, nurses, and other health practitioners in clinical and educational areas of the Organization's programs. Donated services are recorded at the respective fair market values when the services are received and were valued at \$680,395 during 2011.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of American requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$6,732 in 2011.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of investments and pledge receivables.

The Organization has investments in brokerage accounts in excess of the amount protected by the Securities Investor Protection Corporation (SIPC). In monitoring this credit risk, the Organization periodically evaluates the stability of these brokerage accounts. At December 31, 2011, the Organization's unprotected investments over the SIPC limit of \$500,000 were approximately \$7,915,000.

At December 31, 2011, three pledges represent 97.5% of the outstanding contributions receivable balance. In addition, the Organization received approximately 97% of its revenues from contributions in 2011, and three companies contributed 81% of the total in-kind contributions - supplies in 2011.

Functional Allocation of Expenses

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

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2011. Years ending on or after December 31, 2008 remain subject to examination by federal and state tax authorities.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's detailed financial statements for 2010 from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 22, 2012, the date the financial statements were available to be issued.

3. Contributions Receivable

Contributions receivable consist of unconditional promises to give. Contributions receivable are as follows:

Amounts due in:	
Less than one year	\$ 33,500
One to five years	26,000
	<u>59,500</u>
Less - discount	(855)
	<u>\$ 58,645</u>

The discount is calculated using risk free rates ranging from of .40% - 2.8%

4. Investments

Investments consist of the following:

Cash equivalents	\$ 88,261
Mutual funds	2,230,450
Equity securities	921,103
Managed investments	5,688,267
	<u>\$ 8,928,081</u>

Investment return consists of the following:

Interest and dividends	\$	208,906
Realized gains		160,113
Unrealized losses		(295,920)
		<hr/>
	\$	73,099
		<hr/>

Investment fees were \$38,856 for 2011.

Proceeds, gross gains and losses realized from the sales of securities were as follows:

Proceeds	\$	857,292
Gross gains	\$	160,113
Gross losses	\$	-

5. Fair Value Measurements

The Organization follows a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (levels 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization's financial instruments consisted of the following at December 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
U.S. equity securities	\$ 823,697	\$ -	\$ -	\$ 823,697
Foreign equity security	97,406	-	-	97,406
U.S. mutual funds				
Low duration	55,860	-	-	55,860
Large value stock	11,853	-	-	11,853
Growth	519,890	-	-	519,890
Bond	1,642,847	-	-	1,642,847
U.S. managed investments	-	5,688,267	-	5,688,267
	<u>\$ 3,151,553</u>	<u>\$ 5,688,267</u>	<u>\$ -</u>	<u>\$ 8,839,820</u>

Fair value for level 1 is based upon quoted market prices. Fair value for level 2 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. Inputs are obtained from various sources including market participants, dealers and brokers.

The Organization has determined that the managed investments are level 2 inputs. The investments are held within a limited liability company and are valued based upon the Organization's proportionate share of the total portfolio of the assets. The managed investments consist of traditional investment securities which are presented on the limited liability company's audited financial statements ranging from a level 1 to level 2. There are no alternative investments, and management of the Organization is of the belief that the fair values of the managed investments are based on quoted prices for similar instruments in active markets.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

6. Furniture and Equipment

Furniture and equipment consist of the following:

Equipment	\$ 24,144
Furniture	40,535
Software	63,949
	<u>128,628</u>
Less - accumulated depreciation	<u>(93,577)</u>
	<u>\$ 35,051</u>

Depreciation expense for 2011 was \$8,522.

7. Accounts payable and accrued expenses

Accounts payable and accrued expenses consist of the following:

Accounts payable	\$ 67,136
Accrued vacation	35,881
Payroll liabilities	<u>122</u>
	<u>\$ 103,139</u>

8. Net Assets

Net assets consist of the following:

Unrestricted:	
Unrestricted	\$ 382,346
Unrestricted - board designated	<u>8,928,081</u>
Total unrestricted	<u>9,310,427</u>
Temporarily restricted:	
Time restricted pledges:	\$ 58,645
Program specific:	
Maternal and child	76,319
Walking free	60,389
Other	38,793
Surgery	5,370
Seeing clearly	<u>4,671</u>
Total temporarily restricted	<u>\$ 244,187</u>
Permanently restricted:	
General endowment	<u>\$ 40,000</u>

9. Employee Retirement Plan

The Organization maintains a 403(b) defined contribution retirement plan (Plan) for eligible employees. All employees who are 18 years of age and older are eligible for the Plan after one year of service. Employees may contribute 20% of gross salary subject to maximum amounts allowable under the Internal Revenue Code. The Organization matched an additional 2.5% of an employee's contribution. The Organization incurred \$30,097 in pension expense for 2011.

In 2010, the Organization discovered it did not make the required non-discretionary contributions to the Plan for 2009 and 2010. Late contributions of \$30,998 were accrued at December 31, 2010 and were paid in 2011. Additional payments related to lost earnings, interest and penalties of \$6,145 were paid in 2011.

10. Endowment Funds

The Organization's endowment consists of funds which are included in investments. These funds are donor-restricted endowment funds and were established for a variety of purposes. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Virginia state legislature in 2008. The law gives guidance for investment and spending practices, giving consideration for donor intent and the organization's overall resources and charitable purpose. Based on their interpretation of law and in compliance with donor intent, the Organization classifies as permanently restricted net assets, the original value of gifts donated to the permanent endowment.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the state UPMIFA law. The Organization appropriates expenditures from time-to-time as a specific need arises. Previously, accumulations on endowment funds with no purpose restriction were classified as unrestricted net assets. The interpretation of the new law did not result in any reclassifications from unrestricted net assets due to the Organization having previously expended all earnings from the endowment assets.

A summary of the activity in the endowment fund for the year ended December 31, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 40,000	\$ 40,000
Investment return:				
Investment income	751	-	-	751
Net depreciation (realized and unrealized loss)	(489)	-	-	(489)
Total investment return	262	-	-	262
Appropriation of endowment:				
Assets for expenditures	(262)	-	-	(262)
Endowment net assets, end of year	\$ -	\$ -	\$ 40,000	\$ 40,000

In accordance with state UPMIFA law, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the executive committee, the endowment assets are invested in a manner that is intended to maximize long-term growth using a balanced approach with less than full stock market risk and volatility.

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).

11. Commitments

The Organization leases office equipment and office and warehouse spaces under various agreements. The Organization is also committed to subscription charges and web-hosting fees for a four-year period beginning June 2010 at \$808 per month. The office equipment lease is for \$978 per month and expires November 2014.

The term of the Virginia office space lease is for six years, 10 months beginning on August 1, 2010, and ending on May 31, 2017. The monthly rent is \$8,151 with escalating monthly payments in future years, including eight months of free rent. Under the terms of this lease, the Organization is obligated to pay escalation rentals for certain operating expenses and real estate taxes. There is an option to renew for an additional five years, six months prior to the expiration of the lease.

The Dominican Republic office lease was for a period of one year ending August 31, 2011. Rent of \$800 was due monthly plus \$100 for internet and phone usage.

The Organization also rented a warehouse. The warehouse lease was \$4,228 per month and expired May 2012.

Future minimum lease payments under these operating leases are as follows:

Year Ending December 31:

2012	\$	136,091
2013		110,451
2014		105,198
2015		93,515
2016		93,575
Thereafter		<u>38,962</u>
	\$	<u>577,792</u>

Rent expense for 2011 was \$181,170.

In order to minimize its cost, the Organization subleases a portion of its warehouse to a tenant on a month-to-month basis. Sublease income from this agreement was \$7,700 during 2011.

* * * * *