

**PRISON FELLOWSHIP INTERNATIONAL AND
AFFILIATES**

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS**

YEAR ENDED DECEMBER 31, 2016

Prison Fellowship International and Affiliates

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 15



Independent Auditor's Report

To the Board of Directors of
Prison Fellowship International and Affiliates
Lansdowne, Virginia

We have audited the accompanying consolidated financial statements of **Prison Fellowship International and Affiliates** (a nonprofit organization), which comprise the Consolidated Statement of Financial Position as of December 31, 2016, and the related Consolidated Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

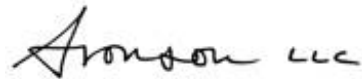
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Prison Fellowship International and Affiliates** as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Rockville, Maryland
May 8, 2017

Prison Fellowship International and Affiliates

Consolidated Statement of Financial Position

December 31, 2016

Assets

Current assets

Cash and cash equivalents	\$	2,004,125
Contributions receivable		1,661,714
Accounts receivable, net		7,569
Inventory		2,296,880
Prepaid expenses		152,894

Total current assets **6,123,182**

Other assets

Cash and cash equivalents held for long term use		90,000
Contributions receivable, net of current and discount		1,401,457
Equipment and furniture, net		122,052

Total other assets **1,613,509**

Total assets **\$ 7,736,691**

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$	212,304
---------------------------------------	----	---------

Net assets

Unrestricted		4,069,563
Temporarily restricted		3,364,824
Permanently restricted		90,000

Total net assets **7,524,387**

Total liabilities and net assets **\$ 7,736,691**

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Prison Fellowship International and Affiliates

Consolidated Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Charter membership fees	\$ 179,106	\$ -	\$ -	\$ 179,106
Ministry agreement revenue	2,100,000	-	-	2,100,000
Contributions				
Foundations, churches and corporate grants	123,100	1,371,347	-	1,494,447
Major donors	106,041	1,153,535	-	1,259,576
Mid-level donors	82,242	39,267	-	121,509
Mass donors	57,863	377,736	-	435,599
Other	36,305	25,755	-	62,060
Donated goods and facilities	2,379,867	-	-	2,379,867
Investment income, net	26,467	-	-	26,467
Loss on foreign currency transactions and remeasurements	(152,008)	-	-	(152,008)
Other income	92,156	-	-	92,156
Loss on restricted promise to give	-	(60,000)	-	(60,000)
Net assets released from restrictions	3,520,928	(3,520,928)	-	-
Total revenues	8,552,067	(613,288)	-	7,938,779
Expenses				
Program services:				
The Prisoner's Journey	1,772,029	-	-	1,772,029
Children of Prisoners Program	1,595,317	-	-	1,595,317
Capacity building	586,116	-	-	586,116
Center for Justice and Reconciliation	368,516	-	-	368,516
Education and communication	363,181	-	-	363,181
Total program services	4,685,159	-	-	4,685,159
Supporting services:				
Ministry advancement / fundraising	1,303,784	-	-	1,303,784
Leadership, facilities and administration	466,497	-	-	466,497
Total supporting services	1,770,281	-	-	1,770,281
Total expenses	6,455,440	-	-	6,455,440
Change in net assets	2,096,627	(613,288)	-	1,483,339
Net assets, at beginning of year	1,972,936	3,978,112	90,000	6,041,048
Net assets, at end of year	\$ 4,069,563	\$ 3,364,824	\$ 90,000	\$ 7,524,387

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Prison Fellowship International and Affiliates

Consolidated Statement of Functional Expenses

<i>Year Ended December 31, 2016</i>	Program services					Supporting services			Total
	The Prisoner's Journey	Children of Prisoners Program	Capacity building	Center for Justice and Reconciliation	Education and communication	Total program services	Ministry advancement / fundraising	Leadership, facilities and administration	
Salaries and benefits	\$ 269,460	\$ 83,869	\$ 504,440	\$ 175,394	\$ 118,455	\$ 1,151,618	\$ 671,606	\$ 383,508	\$ 2,206,732
Ministry development/field support	446,152	897,754	877	19,510	19,901	1,384,194	-	965	1,385,159
Professional fees	123,445	171,418	11,015	57,872	25,424	389,174	304,228	58,429	751,831
Travel	131,385	40,886	114,667	15,793	11,755	314,486	137,703	83,078	535,267
Repairs, maintenance, and supplies	335,193	9,923	3,017	282	3,534	351,949	10,903	20,125	382,977
Reginal director contracts	-	110,168	217,843	27,948	-	355,959	-	-	355,959
Printing and postage	167,804	8,035	4,196	73	49,752	229,860	10,137	12,064	252,061
Depreciation and amortization	-	12,221	-	15,554	47,774	75,549	15,554	19,999	111,102
Rent	-	85	7,074	-	-	7,159	-	103,542	110,701
Conferences and meetings	20,518	10,799	4,945	624	5,406	42,292	12,024	40,273	94,589
Bank fees, interest, and bad debt	157	4,384	1,508	-	13,759	19,808	4,925	41,999	66,732
Telephone and internet	562	1,080	5,178	1,729	6,951	15,500	38,999	12,151	66,650
Audit and legal	2,214	7,342	-	28	-	9,584	120	48,629	58,333
Miscellaneous expenses	55	5,540	1,292	204	7,707	14,798	9,208	5,263	29,269
Subscriptions and licenses	17,810	195	-	-	35	18,040	3,449	4,834	26,323
Insurance	-	-	-	-	-	-	-	21,755	21,755
Field operations and program management	141,845	127,700	(328,115)	29,499	29,071	-	-	-	-
Sub-total	1,656,600	1,491,399	547,937	344,510	339,524	4,379,970	1,218,856	856,614	6,455,440
Leadership, facilities and administrative	115,429	103,918	38,179	24,006	23,657	305,189	84,928	(390,117)	-
Total	\$ 1,772,029	\$ 1,595,317	\$ 586,116	\$ 368,516	\$ 363,181	\$ 4,685,159	\$ 1,303,784	\$ 466,497	\$ 6,455,440

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Prison Fellowship International and Affiliates

Consolidated Statement of Cash Flows

Year Ended December 31, 2016

Cash flows from operating activities	
Change in net assets	\$ 1,483,339
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation and amortization	111,102
Net realized and unrealized gain on investments	(20,819)
Loss on disposal of equipment and furniture	180
Provision for doubtful accounts receivable	32,636
(Increase) decrease in:	
Contributions receivable	697,180
Accounts receivable	12,409
Inventory	(2,035,635)
Prepaid expenses	59,416
Increase (decrease) in:	
Accounts payable and accrued expenses	(253,905)
<hr/>	
Net cash provided by operating activities	85,903
<hr/>	
Cash flows from investing activities	
Proceeds from sale of investments	1,088,596
Purchase of investments	(73,403)
Purchase of equipment and furniture	(11,272)
<hr/>	
Net cash provided by investing activities	1,003,921
<hr/>	
Net change in cash, cash equivalents, and restricted cash	1,089,824
<hr/>	
Cash, cash equivalents, and restricted cash, beginning of year	1,004,301
<hr/>	
Cash, cash equivalents, and restricted cash, end of year	\$ 2,094,125

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

1. Organization and significant accounting policies

Prison Fellowship International (PFI) is a not-for-profit organization founded on August 8, 1979, in the District of Columbia. It has national affiliates in over 120 countries, each of which is an independent organization. Its purpose is to provide services to prisoners, ex-prisoners and their families around the world through its member affiliates. It works to foster mutual support and assistance and promotes the interchange of successful ministry methods among national ministries.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of PFI, Prison Fellowship International at Singapore LTD (PFI Singapore), Prison Fellowship International gGmbH (PFI Germany), and Prison Fellowship International Canada (PFI Canada). PFI controls and has an economic interest in PFI Singapore, PFI Germany and PFI Canada. All significant intercompany transactions and accounts have been eliminated in consolidation. For the purposes of this report, the four entities are referred to collectively as “the Organization.”

Basis of accounting: The accounts of the Organization are maintained on the accrual basis of accounting whereby support is recognized when earned, and costs and expenses are recognized when incurred.

Basis of presentation: Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations. Includes undesignated net assets available for general operations.

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

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization may use all or part of the income earned on these assets for specific purposes.

Cash and cash equivalents: The Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. The Organization maintains cash balances which may exceed U.S. federally insured limits. Management does not believe that this results in any significant credit risk. As of December 31, 2016, \$200,911 of the total cash and cash equivalents balance was held in foreign bank accounts.

Cash and cash equivalents held for long term use: Amounts included in cash and cash equivalents held for long term use represent cash equivalents restricted and held for the permanently restricted endowment.

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

The following is a reconciliation to total cash, cash equivalents, and restricted cash reported within the Consolidated Statement of Financial Position that sum to the total of the same such amounts shown on the Consolidated Statement of Cash Flows:

	<u>2016</u>
Cash and cash equivalents	\$ 2,004,125
Cash and cash equivalents held for long term use	<u>90,000</u>
Total cash, cash equivalents, and restricted cash shown in the Consolidated Statement of Cash Flows	<u>\$ 2,094,125</u>

Foreign currency: The Organization maintains international offices located in Singapore (PFI Singapore), Germany (PFI Germany) and Canada (PFI Canada). The international offices maintain bank accounts, conduct business and record transactions in their local currencies. Gains or losses from exchange transactions resulting in foreign currency are recognized in operations.

Contributions receivable: The Organization records contributions receivable when an unconditional promise to give is made. Contributions receivable are reported as either temporarily or permanently restricted support unless explicit donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities of the current period. Contributions receivable are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions in the accompanying Consolidated Statement of Activities and Changes in Net Assets. The amount of the allowance, if any, is based on prior years' experience and management's current estimates of potentially uncollectible contributions. As of December 31, 2016, there was no allowance for doubtful accounts on contributions receivable.

Contributions receivable promised in a foreign currency are remeasured using the current exchange rate at the reporting date. Fluctuations in contributions receivable denominated in foreign currencies are recorded as gains and losses and included in foreign currency transactions and remeasurements on the Consolidated Statement of Activities and Changes in Net Assets. Changes in exchange rates after the Statement of Financial Position date could have an effect on the balance of contributions receivable. Management has deemed that it is impracticable to determine and disclose the effects.

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

Accounts receivable: The Organization uses the allowance method to estimate the amounts, if any, of its accounts receivable that are considered uncollectible. The amount of the allowance, if any, is based on prior years' experience and management's current estimates of potentially uncollectible accounts. Accounts receivable are deemed to be past due based on a contractual term of 30 days. At December 31, 2016, the Organization determined that the allowance for doubtful accounts receivable was \$32,636.

Inventory: Inventory is recorded at the lower of cost, using the weighted average method, or market. At December 31, 2016, inventory consisted of Bibles and other program materials.

Equipment and furniture: The Organization capitalizes all expenditures for equipment and furniture in excess of \$500. Equipment and furniture includes capitalized computer hardware and software and are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, which is generally three to five years. Expenses that do not materially extend the useful life of an asset are expensed in the current period. Any gain or loss that may result from the sale or disposition of an asset is recorded as a revenue or expense in the year that the transaction occurs.

Charter membership fees: Each affiliate member organization is to pay an annual contribution to PFI, based on a three tiered system. The affiliates tier within the system is based on its size and annual revenues. Tier one affiliates contributed 5% of their annual revenue. Tier two and three affiliates contribute a flat rate of \$1,000 and \$100, respectively. Charter membership fees are recognized when received or unconditionally promised.

Ministry agreement revenue: The Organization receives conditional contributions which are recorded as support and revenues when received and the conditions are met. See Note 6 which further discusses the agreement to which these contributions relate.

Contributions: The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor temporarily restricted contributions are recorded as temporarily restricted support and are then reclassified to unrestricted net assets upon fulfillment of the restriction. Donor permanently restricted contributions are reported and remain as permanently restricted net assets. The Organization treats gifts of long-lived assets and gifts of cash for long-lived assets without donor use restrictions as having implied time restrictions that expire over the useful life of the donated assets. Gifts of long-lived assets are recorded at fair value when received or promised.

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

Donated goods and facilities: The Organization rents office space at a below market rate (see Note 6). The difference between the estimated rental market rate for comparable office space and the amount actually charged is recorded as contributed rent in the Consolidated Statement of Activities and Changes in Net Assets. The Organization receives contributed supplies, equipment and software from various organizations, which can be temporarily restricted for a specific geographic region, program, or time. Donated goods are recorded at fair value when received or promised.

Program services: Ministry services encompasses those activities related to:

- Conducting Christian programs in prisons around the world through agreements with selected national affiliates.
- Providing medical, educational, spiritual and residential services to the children of prisoners in developing world countries through agreements with selected national affiliates.
- Providing criminal justice and restorative justice consultation and programs to national affiliates, public officials and others through its Centre for Justice and Reconciliation.
- Supporting national PFI ministries through board and staff development, training, program planning and implementation, strategic projects, material and technical assistance, ministry promotion, and resource development.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes: PFI is a Section 501(c)(3) not-for-profit corporation exempt from federal income taxes as provided under section 501(a) of the Internal Revenue Code and applicable regulations of the District of Columbia. PFI Singapore is a registered charity in the Republic of Singapore. PFI Germany is a registered charity in Germany. PFI Canada is a registered charity in Canada. The Organization has no unrelated business income.

Uncertainty in income taxes: The Organization evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2016, there are no accruals for uncertain tax positions. If applicable, the Organization records interest and penalties as a component of income tax expense. Tax years from 2013 through the current year remain open for examination by federal and state taxing authorities.

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

Use of accounting estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events: Management has evaluated subsequent events for disclosure in these consolidated financial statements through May 8, 2017, which is the date the consolidated financial statements were available to be issued.

New accounting standard adopted during 2016: In November 2016 the Financial Accounting Standards Board issued Accounting Standards Update 2016-18 (ASU 2016-18) statement of cash flows (Topic 230): *Restricted Cash*. ASU 2016-18 requires that a Statement of Cash Flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard is effective for fiscal years beginning after December 15, 2018, and is required to be applied retrospectively for each year presented. Early application is permitted, but not required.

The Organization has elected to early adopt ASU 2016-18 retrospectively for the year ended December 31, 2016. The adoption resulted in a net increase in cash provided by investing activities of \$90,000 for the year ended December 31, 2016.

2. Contributions receivable

Contributions receivable are summarized as follows at December 31:

Unconditional promises expected to be collected in:

	<u>2016</u>
Less than one year	\$ 1,661,714
One to five years	1,481,058
Less:	
Present value discount on long term receivables	<u>(79,601)</u>
Total	\$ 3,063,171

Contributions receivable are discounted to their present value using rates between 1.25% and 4.27%.

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

3. Equipment and furniture

Equipment and furniture consists of the following at December 31:

	2016
Equipment and furniture	\$ 28,905
Computer hardware	37,636
Computer software	376,699
Total equipment and furniture	443,240
Less: Accumulated depreciation and amortization	(321,188)
Equipment and furniture, net	\$ 122,052

Depreciation and amortization expense for the year ended December 31, 2016 was \$111,102.

4. Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at December 31:

	2016
Children of Prisoners	\$ 1,938,035
The Prisoner's Journey	572,710
Capacity building	654,859
Ministry support	63,769
Time restricted	135,451
Total	\$ 3,364,824

Temporarily restricted net assets were released from restriction during the year ended December 31 as follows:

	2016
Children of Prisoners	\$ 1,203,381
The Prisoner's Journey	1,568,812
Capacity building	332,992
Ministry support	26,238
Center for Justice and Reconciliation	326,557
Time restricted	62,948
Total	\$ 3,520,928

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

5. Endowment funds

The Organization's endowment consists of three individual funds established for a variety of purposes. Its endowment includes donor restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of the Relevant Law

Management of the Organization has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified in temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, 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 donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and appreciation of investments;
6. Other resources of the organization;
7. The investment policies of the organization.

Endowment Net Assets Composition by Type of Fund as of December 31:

	2016
	Permanently Restricted
Donor-restricted endowment funds	\$ 90,000

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

Change in endowment net assets for the year ended December 31, 2016:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 90,000	\$ 90,000
Investment income	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, end of year	\$ -	\$ 90,000	\$ 90,000

Description of amounts classified as permanently restricted net assets as of December 31:

	2016
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 90,000

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 UPMIFA requires the Organization to retain as a fund of perpetual duration. There was no such deficiency as of December 31, 2016.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold for a donor-specified period. Under this policy, as approved by Management, the endowment assets are invested in cash equivalents, mutual funds and exchange traded funds. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a return strategy in which investment returns are achieved through current yield (interest and dividends).

Prison Fellowship International and Affiliates

Notes to Consolidated Financial Statements

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year the income earned on the endowment funds. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to remain consistent. This is consistent with the Organization's objective to preserve the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

6. Affiliated entity

Prison Fellowship USA (PF USA) is the United States of America chartered affiliate of PFI. In 2013, PFI and PF USA entered into a Ministry Agreement to foster the global expansion of the prison ministry in the United States and around the world, through collaborative efforts between the two organizations. Per the agreement, PFI is to receive conditional monthly payments which extend over an initial seven year period. The agreement is set to automatically renew for additional seven year terms, provided early termination has not been exercised. As of December 31, 2016, the remaining conditional promise to give for the initial seven year term ending on May 31, 2020 totaled \$3,150,000, which is not reflected in the accompanying Consolidated Statement of Financial Position. Revenue from the agreement is recognized on the Consolidated Statement of Activities and Changes in Net Assets as ministry agreement revenue.

PFI maintains its offices in the Lansdowne, Virginia facility owned by PF USA and has agreed to pay as rent a share of the facility operating expenses proportionate to the space it occupies in the building. The amounts paid to PF USA for rent for the year ended December 31, 2016, was \$25,149. The difference between the amount paid and the estimated market rate rent for comparable office space was recorded as both a contribution of \$74,098 from PF USA and as rent expense in 2016.

7. Line of credit

The Organization has a line of credit in the amount of \$100,000 with a bank in Virginia. Advances bear interest at the Wall Street Journal Prime Rate. The agreement is renewed each year. At December 31, 2016, the Organization had no indebtedness under the line of credit.

8. Retirement plan

The Organization sponsors a defined contribution retirement plan (the Plan) covering qualifying United States employees, as defined in the Plan agreement. Employees are eligible for participation in the Plan after one year of employment. The Plan consists of mandatory employee contributions of 2% of their annual salary, with the Organization currently contributing 4% of their annual salary. Employees vest 100% in all contributions as they are made. International employees receive retirement benefits in accordance with laws in their respective locations. Retirement expense for all employees for 2016 was \$59,929.

9. Concentrations

In 2016, the Organization received 37% of its total revenue from two entities. Contributions receivable from two entities represents 66% of the total balance as of December 31, 2016.