

International Life Sciences Institute

Audited Financial Statements

*Years ended December 31, 2016 and 2015
with Report of Independent Auditors*

International Life Sciences Institute

Audited Financial Statements

Years ended December 31, 2016 and 2015

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Report of Independent Auditors

Board of Trustees
International Life Sciences Institute
Washington, D.C.

We have audited the accompanying financial statements of the International Life Sciences Institute, which comprise the statements of financial position as of December 31, 2016 and 2015 and the related statements of activities, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 over financial reporting. 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 International Life Sciences Institute as of December 31, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Vienna, Virginia
July 18, 2017

International Life Sciences Institute

Statements of Financial Position

	December 31,	
	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents (Note A)	\$ 470,083	\$ 584,830
Investments (Note B)	1,845,619	1,498,997
Accounts and grants receivable (Note A)	53,762	259,650
Amounts due from affiliates (Note D)	188,137	156,135
Rent receivable under shared services agreement (Note D)	189,482	262,973
Prepaid expenses and other assets	94,166	104,774
Property and equipment, net (Note C)	<u>279,771</u>	<u>352,608</u>
Total assets	<u>\$ 3,121,020</u>	<u>\$ 3,219,967</u>
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 130,698	\$ 143,833
Accrued expenses	96,907	88,562
Deferred revenue (Note A)	474,743	172,804
Deposits payable to affiliates (Note D)	246,000	246,000
Deferred rent	<u>371,283</u>	<u>519,585</u>
Total liabilities	1,319,631	1,170,784
Net assets:		
Unrestricted:		
Undesignated	601,179	633,576
Board-designated	<u>613,157</u>	<u>583,737</u>
Total unrestricted net assets	1,214,336	1,217,313
Temporarily restricted (Note E)	<u>587,053</u>	<u>831,870</u>
Total net assets	<u>1,801,389</u>	<u>2,049,183</u>
Total liabilities and net assets	<u>\$ 3,121,020</u>	<u>\$ 3,219,967</u>

See accompanying notes to the financial statements.

International Life Sciences Institute

Statement of Activities

Year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Fees from affiliates (Note D)	\$ 1,439,591	\$ -	\$ 1,439,591
Branch assessments (Note A)	724,978	-	724,978
Royalties	369,617	-	369,617
Grants and contributions (Note E)	5	325,167	325,172
Conference registration fees	49,540	-	49,540
Investment income (Note B)	27,098	-	27,098
	<u>2,610,829</u>	<u>325,167</u>	<u>2,935,996</u>
Net assets released from restriction	<u>569,984</u>	<u>(569,984)</u>	<u>-</u>
Total revenue	3,180,813	(244,817)	2,935,996
Expenses:			
Program services:			
Global coordination	93,608	-	93,608
Communications	421,970	-	421,970
Annual meeting	185,756	-	185,756
Press	328,203	-	328,203
Global initiatives for a healthier world	718,304	-	718,304
Shared services	<u>1,439,598</u>	<u>-</u>	<u>1,439,598</u>
Total program services	3,187,439	-	3,187,439
General and administrative	<u>4,652</u>	<u>-</u>	<u>4,652</u>
Total expenses	<u>3,192,091</u>	<u>-</u>	<u>3,192,091</u>
Change in net assets from operations	(11,278)	(244,817)	(256,095)
Net change in fair value of investments (Note B)	21,351	-	21,351
Loss on disposal of property and equipment	<u>(13,050)</u>	<u>-</u>	<u>(13,050)</u>
Change in net assets	(2,977)	(244,817)	(247,794)
Net assets, beginning of year	<u>1,217,313</u>	<u>831,870</u>	<u>2,049,183</u>
Net assets, end of year	<u>\$ 1,214,336</u>	<u>\$ 587,053</u>	<u>\$ 1,801,389</u>

See accompanying notes to the financial statements.

International Life Sciences Institute

Statement of Activities

Year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Fees from affiliates (Note D)	\$ 1,380,945	\$ -	\$ 1,380,945
Branch assessments (Note A)	731,357	-	731,357
Grants and contributions (Note E)	-	518,052	518,052
Royalties	363,512	-	363,512
Conference registration fees	54,369	-	54,369
Investment income (Note B)	28,072	-	28,072
Other Income	9,513	-	9,513
	<u>2,567,768</u>	<u>518,052</u>	<u>3,085,820</u>
Net assets released from restriction	<u>540,474</u>	<u>(540,474)</u>	<u>-</u>
Total revenue	3,108,242	(22,422)	3,085,820
Expenses:			
Program services:			
Global coordination	87,829	-	87,829
Communications	420,092	-	420,092
Annual meeting	159,536	-	159,536
Press	295,781	-	295,781
Global initiatives for a healthier world	546,646	-	546,646
Shared services	1,381,041	-	1,381,041
Total program services	<u>2,890,925</u>	<u>-</u>	<u>2,890,925</u>
General and administrative	153,347	-	153,347
Total expenses	<u>3,044,272</u>	<u>-</u>	<u>3,044,272</u>
Change in net assets from operations	63,970	(22,422)	41,548
Net change in fair value of investments (Note B)	<u>(24,822)</u>	<u>-</u>	<u>(24,822)</u>
Change in net assets	39,148	(22,422)	16,726
Net assets, beginning of year	<u>1,178,165</u>	<u>854,292</u>	<u>2,032,457</u>
Net assets, end of year	<u>\$ 1,217,313</u>	<u>\$ 831,870</u>	<u>\$ 2,049,183</u>

See accompanying notes to the financial statements.

International Life Sciences Institute

Statements of Functional Expenses

Years ended December 31, 2016 and 2015

	Program Services						Total	General and Administrative	2016 Total
	Global Coordination	Communica-tions	Annual Meeting	Press	Global Initiatives	Shared Services			
Salaries and benefits	\$ 30,963	\$ 171,929	\$ 4,482	\$ 125,604	\$ 84,780	\$ 1,158,378	\$ 1,576,136	\$ 136,350	\$ 1,712,486
Travel and meetings	29,260	15,127	164,118	11,722	127,434	14,128	361,789	358	362,147
Grants and research awards	4,000	-	-	-	342,477	-	346,477	-	346,477
Rent	-	-	-	-	-	175,227	175,227	47,555	222,782
Consultants	-	56,257	1,206	12,600	83,925	4,903	158,891	-	158,891
Depreciation	-	-	-	-	-	22,448	22,448	89,727	112,175
Equipment and supplies	-	-	2,179	760	-	63,535	66,474	450	66,924
Publications	-	3,837	2,260	58,664	-	-	64,761	-	64,761
Financial and professional services	-	-	2,145	-	349	38,037	40,531	23,787	64,318
Insurance	-	-	-	-	-	60,929	60,929	-	60,929
Other	32	10,328	521	4,707	556	21,554	37,698	6,858	44,556
Communications	1,487	9,756	4,811	1,102	2,481	21,178	40,815	2,405	43,220
Overhead allocation	27,866	154,736	4,034	113,044	76,302	(140,719)	235,263	(235,263)	-
Deferred rent expense	-	-	-	-	-	-	-	(67,575)	(67,575)
Total	<u>\$ 93,608</u>	<u>\$ 421,970</u>	<u>\$ 185,756</u>	<u>\$ 328,203</u>	<u>\$ 718,304</u>	<u>\$ 1,439,598</u>	<u>\$ 3,187,439</u>	<u>\$ 4,652</u>	<u>\$ 3,192,091</u>

	Program Services						Total	General and Administrative	2015 Total
	Global Coordination	Communica-tions	Annual Meeting	Press	Global Initiatives	Shared Services			
Salaries and benefits	\$ 18,803	\$ 169,520	\$ 1,383	\$ 128,463	\$ 21,011	\$ 1,089,638	\$ 1,428,818	\$ 209,994	\$ 1,638,812
Travel and meetings	23,691	12,768	143,548	5,013	97,341	13,780	296,141	5,997	302,138
Grants and research awards	24,000	-	-	-	334,693	100	358,793	-	358,793
Rent	-	-	-	-	-	161,849	161,849	48,799	210,648
Consultants	-	47,197	935	-	67,987	8,931	125,050	-	125,050
Depreciation	-	-	-	-	-	17,927	17,927	89,952	107,879
Equipment and supplies	1,713	-	3,353	-	-	71,273	76,339	1,308	77,647
Publications	-	16,665	682	42,358	-	-	59,705	-	59,705
Financial and professional services	-	-	1,580	-	3,416	37,467	42,463	24,910	67,373
Insurance	-	-	-	-	-	64,279	64,279	-	64,279
Other	201	7,001	2,021	3,291	367	20,531	33,412	4,602	38,014
Communications	2,498	14,373	4,789	1,039	2,922	30,971	56,592	4,917	61,509
Overhead allocation	16,923	152,568	1,245	115,617	18,909	(135,705)	169,557	(169,557)	-
Deferred rent expense	-	-	-	-	-	-	-	(67,575)	(67,575)
Total	<u>\$ 87,829</u>	<u>\$ 420,092</u>	<u>\$ 159,536</u>	<u>\$ 295,781</u>	<u>\$ 546,646</u>	<u>\$ 1,381,041</u>	<u>\$ 2,890,925</u>	<u>\$ 153,347</u>	<u>\$ 3,044,272</u>

See accompanying notes to the financial statements.

International Life Sciences Institute

Consolidated Statements of Cash Flows

	Years ended December 31,	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (247,794)	\$ 16,726
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	112,175	107,879
Net change in fair value of investments	(21,351)	24,822
Loss on disposal of property and equipment	13,050	-
Changes in operating assets and liabilities:		
Accounts and grants receivable	5,888	36,868
Contributions receivable	200,000	(200,000)
Amounts due from affiliates	(32,002)	(80,380)
Rent receivable under shared services agreement	73,491	56,198
Prepaid expenses and other assets	10,608	34,547
Accounts payable and accrued expenses	(4,789)	74,023
Deferred revenue	301,939	(242,539)
Deferred rent	<u>(148,302)</u>	<u>(129,300)</u>
Total adjustments	<u>510,707</u>	<u>(317,882)</u>
Net cash provided by (used in) operating activities	262,913	(301,156)
Cash flows from investing activities		
Proceeds from sales or maturities of investments	1,827	777,193
Purchases and reinvestments of investments	(327,099)	(403,442)
Purchases of property and equipment	<u>(52,388)</u>	<u>(98,401)</u>
Net cash (used in) provided by investing activities	<u>(377,660)</u>	<u>275,350</u>
Net change in cash and cash equivalents	(114,747)	(25,806)
Cash and cash equivalents, beginning of year	<u>584,830</u>	<u>610,636</u>
Cash and cash equivalents, end of year	<u>\$ 470,083</u>	<u>\$ 584,830</u>

See accompanying notes to the financial statements.

International Life Sciences Institute

Notes to the Financial Statements

Years ended December 31, 2016 and 2015

Note A - Organization and Summary of Significant Accounting Policies

Organization

International Life Sciences Institute ("ILSI") was incorporated under the laws of the District of Columbia in July 1978 in order to promote an understanding and resolution of nutrition, food safety, toxicology, risk assessment, and environmental issues worldwide. Through ILSI, scientific experts from the academic, government, industrial, and public sectors throughout the world collaborate on research and education programs at national and international levels.

ILSI has also established and chartered multiple branches located throughout the world. ILSI does not maintain a majority voting interest in the governing bodies of these branches; accordingly, these financial statements do not reflect the financial position, changes in net assets, and cash flows of ILSI's branches.

In 2015 and earlier years, the ILSI Research Foundation ("ILSI RF") was consolidated into the financial statements of ILSI. In January 2016, ILSI RF's Board of Trustees amended its bylaws to change the body that elects ILSI RF's Board of Trustees from the ILSI Board of Trustees to the ILSI RF Board of Trustees. As a result, ILSI RF is no longer consolidated into the financial statements of ILSI and 2015 balances presented herein are only ILSI activity.

Income taxes

ILSI is exempt from the payment of income taxes on their exempt activities under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service ("IRS") as other than a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code. ILSI does not have any uncertain tax positions that are material to the financial statements as of December 31, 2016.

Basis of accounting

ILSI prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Accordingly, revenues are recognized when earned and expenses are recognized when the underlying obligations are incurred.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

Cash and cash equivalents

For financial statement purposes, ILSI considers all demand deposit accounts and highly liquid instruments which are held for current operations to be cash and cash equivalents. All other highly liquid instruments, which are included within ILSI's investment portfolio are set aside for investment purposes.

International Life Sciences Institute

Notes to the Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Investments and fair value measurement

Investments in money market funds, mutual funds and exchange traded funds are carried at fair value in accordance with U.S. GAAP. Interest and dividends are recorded in the statements of activities as investment income. Realized gains and losses and unrealized gains and losses are recorded as changes in fair value in the statements of activities. Gains and losses arising from the sale, maturity and other dispositions are accounted for on a specific identification basis calculated as of the trade date.

U.S. GAAP establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that ILSI 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 or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, for substantially the entire period, and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Credit risk

ILSI maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to ILSI.

Market value risk

ILSI also invests funds in professionally managed portfolios containing various types of equity securities. Such investments are exposed to market and credit risks. Therefore, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

International Life Sciences Institute

Notes to the Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Accounts and grants receivable

Accounts and grants receivable primarily consist of amounts due for contributions, federal and non-federal grants and branch assessments. Accounts and grants receivable are presented net of an allowance for doubtful accounts, if any. ILSI's management periodically reviews the status of all accounts receivable balances for collectibility based on its knowledge of and relationship with the customer and the age of the receivable balance. As a result of these reviews, ILSI does not believe an allowance for doubtful accounts is necessary as of December 31, 2016 and 2015.

Deferred revenue

Deferred revenue primarily consists of annual meeting revenue, branch assessments, royalties and grant funds received in advance of the year to which they apply.

Property and equipment

Acquisitions of property and equipment greater than \$5,000 are capitalized at cost and depreciated, using the straight-line method, over the following estimated useful lives: furniture and equipment – four to ten years; computer software and equipment – three to five years; and leasehold improvements – over the ten-year term of the office lease or remaining portion thereof, unless the asset's useful life is estimated to be shorter.

Net assets

For financial statement purposes, net assets are classified as follows:

Unrestricted: Represents the portion of net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Undesignated net assets represent the funds that are available to support ILSI's general operations. Board-designated net assets represent the funds that ILSI's Board of Trustees has determined should be reserved for long-term investment purposes. The Board has the right to approve expenditures from these reserved funds at any time.

Temporarily restricted: Represents the portion of net assets for which the ILSI has been restricted by donors with specified time or purpose limitations (see Note E).

International Life Sciences Institute

Notes to the Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Contributions

Contributions are recognized as revenue when received or unconditionally promised. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets when the contribution is recognized. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), the amounts are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. ILSI has not received any support with permanent donor restrictions.

Grants

Grants received by ILSI are recognized as revenue on a cost reimbursement basis or based on significant milestones of the grant, depending on the nature of the agreement.

Branch assessments

Assessments are charged to the branches based on a percentage of their revenue. Assessments received in advance of the period to which they apply are recorded as deferred revenue until that period occurs.

Functional allocation of expenses

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

Subsequent events

ILSI has performed an evaluation of subsequent events through July 18, 2017, which is the date the financial statements were available to be issued and has considered any relevant matters in preparation of the financial statements and footnotes. See Note G for detail of a subsequent event related to the execution of a new office lease.

Note B - Investments and Fair Value Measurements

Investments, recorded at fair value in accordance with the U.S. GAAP hierarchy, consist of the following at December 31:

	2016	2015	Fair Value Level
Money market funds	\$ 151,205	\$ 44,358	Level 1
Fixed income exchange traded funds	493,008	481,595	Level 1
Fixed income mutual funds	951,717	750,105	Level 1
Equity mutual funds	210,726	185,777	Level 1
Equity exchange traded funds	<u>38,963</u>	<u>37,162</u>	Level 1
Total investments, at fair value	<u>\$ 1,845,619</u>	<u>\$ 1,498,997</u>	

International Life Sciences Institute

Notes to the Financial Statements (Continued)

Note B - Investments and Fair Value Measurements (Continued)

ILSI recognizes transfers between levels of the fair value hierarchy at the end of the period in which circumstances occur causing changes in availability of the fair value inputs. There were no transfers between levels during the years ended December 31, 2016 and 2015.

Investment return consists of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Investment income	\$ 27,098	\$ 28,072
Net change in fair value of investments	<u>21,351</u>	<u>(24,822)</u>
Total return on investments	<u>\$ 48,449</u>	<u>\$ 3,250</u>

Investment fees were \$1,828 and \$1,822 for the years ending December 31, 2016 and 2015, respectively.

Note C - Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Computer software and equipment	\$ 231,690	\$ 399,643
Furniture and equipment	114,075	114,075
Leasehold improvements	<u>723,761</u>	<u>723,761</u>
	1,069,526	1,237,479
Less accumulated depreciation	<u>(789,755)</u>	<u>(884,871)</u>
Property and equipment, net	<u>\$ 279,771</u>	<u>\$ 352,608</u>

Note D - Related Party Transactions

ILSI is part of an affiliated group of non-profit organizations, which includes ILSI North America ("ILSI N.A."), ILSI RF and ILSI Health and Environmental Sciences Institute ("HESI"), located in Washington, DC (the "Affiliated Organizations"), as well as multiple international branches. In the ordinary course of doing business, ILSI has a variety of financial transactions with these Affiliated Organizations.

International Life Sciences Institute

Notes to the Financial Statements (Continued)

Note D - Related Party Transactions (Continued)

Common expenses (such as accounting, legal, information technology, human resources, and business services) that benefit all of the Affiliated Organizations are governed by a shared services agreement, under which ILSI allocates these costs to each affiliate based on their total number of full-time equivalents. During the years ended December 31, 2016 and 2015, ILSI allocated the cost of these shared services as follows:

	2016	2015
ILSI N.A.	\$ 425,943	\$ 429,005
ILSI RF	435,782	398,362
HESI	577,865	552,672
	<u>\$ 1,439,590</u>	<u>\$ 1,380,039</u>

The following other transactions occurred between ILSI and a member of the Affiliated Organizations during the years ended December 31, 2016 and 2015:

Grants and contributions: The Affiliated Organizations periodically award grants amongst each other for various scientific and research endeavors. During the years ended December 31, 2016 and 2015, ILSI paid HESI \$3,000 and \$10,000, respectively, in grant awards related to the WHO/GPI Project.

ILSI branch assessments: As specified in its branch charter agreements, all members of ILSI's branches are automatically members of ILSI. Since ILSI does not collect its own dues from these members, ILSI instead charges an annual assessment to the branches in order to provide support for ILSI's governance and communication activities. During the years ended December 31, 2016 and 2015, the Organization charged \$150,000 for each of the years to ILSI N.A., ILSI RF, and HESI.

Joint annual meeting: ILSI and its affiliates participate in a joint annual meeting, and the affiliates hold their own board meetings and scientific sessions in conjunction with the meeting. ILSI collects each affiliate's share of the annual meeting income and pays in advance for a portion of the affiliates' share of the joint expenses of the meeting.

ILSI N.A. reimbursed ILSI a net of \$61,723 and \$104,033, respectively, for annual meeting activity for the years ended December 31, 2016 and 2015. ILSI RF reimbursed ILSI a net of \$34,618 and \$42,109, respectively, for annual meeting activity for the years ended December 31, 2016 and 2015. HESI reimbursed ILSI a net of \$41,212 and \$57,814 for annual meeting activity for the years ended December 31, 2016 and 2015.

International Life Sciences Institute

Notes to the Financial Statements (Continued)

Note D - Related Party Transactions (Continued)

Due from affiliates: Net amounts due to ILSI for shared services cost allocations and various other expense reimbursements consisted of the following as of December 31:

	2016	2015
Due from ILSI N.A.	\$ 50,151	\$ 22,735
Due from HESI	74,694	79,270
Due from ILSI RF	63,292	54,130
Net due from Affiliates	\$ 188,137	\$ 156,135

Rent receivable under shared services agreement: During 2008, ILSI entered into a lease for office space in Washington, D.C. (see Note G). Since the above affiliates all share the same office space with ILSI, ILSI allocated a portion of its deferred rent liability to each of the affiliates based on the number of full-time equivalents. As such, \$75,596 was allocated to ILSI N.A., \$44,674 to ILSI RF and \$69,213 to HESI as of December 31, 2016. For the year ended December 31, 2015, ILSI allocated deferred rent of \$96,957 to ILSI N.A., \$67,085 to ILSI RF and \$98,931 to HESI.

Deposits: As part of the shared services agreement, ILSI charged each affiliate a deposit to cover the period of time between when ILSI pays the shared service cost and when the affiliate reimburses ILSI. Deposits held by ILSI on behalf of each affiliate were as follows as of December 31:

	2016	2015
ILSI North America	\$ 116,000	\$ 116,000
ILSI Health and Environmental Sciences Institute	90,000	90,000
ILSI Research Foundation	40,000	40,000
	\$ 246,000	\$ 246,000

Note E - Temporarily Restricted Net Assets

Temporarily restricted net assets represent amounts contributed for the following donor-specified purposes:

	Balance at December 31, 2015	Contributions	Transfers Between Funds	Releases from Restriction	Balance at December 31, 2016
Platform in International Partnerships	\$ 83,072	\$ 132,000	\$ -	\$ (173,883)	\$ 41,189
ILSI Presence in Africa	194,144	60,000	-	(109,759)	144,385
Indonesian Food Safety Program	121,885	-	70,000	(106,583)	85,302
Staff Global Travel Fund	22,992	-	-	(11,149)	11,843
LA Coordination	48,695	-	-	(38,358)	10,337
Branch Proposal Fund	30,000	-	-	-	30,000
Malaspina Travel Award	100,560	120,000	(70,000)	(29,683)	120,877
ILSI Focal Point in China	230,522	13,167	-	(100,569)	143,120
	\$ 831,870	\$ 325,167	\$ -	\$ (569,984)	\$ 587,053

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Notes to the Financial Statements (Continued)

Note E - Temporarily Restricted Net Assets (Continued)

	Balance at December 31, 2014	Contributions	Transfers	Releases from Restriction	Balance at December 31, 2015
Platform in International Partnerships	\$ 67,078	\$ 144,000	\$ 12,000	\$ (140,006)	\$ 83,072
ILSI Presence in Africa	87,044	118,310	50,000	(61,210)	194,144
Indonesian Food Safety Program	27,813	60,000	150,000	(115,928)	121,885
TCCC Fund	350,000	-	(350,000)	-	-
Staff Global Travel Fund	31,059	-	-	(8,067)	22,992
LA Coordination	43,116	-	50,000	(44,421)	48,695
Branch Proposal Fund	-	30,000	-	-	30,000
Malaspina Travel Award	37,835	50,000	38,000	(25,275)	100,560
Miscellaneous Restricted	-	50,000	-	(50,000)	-
ILSI Focal Point in China	210,347	65,742	50,000	(95,567)	230,522
	<u>\$ 854,292</u>	<u>\$ 518,052</u>	<u>\$ -</u>	<u>\$ (540,474)</u>	<u>\$ 831,870</u>

Note F - Defined Contribution Pension Plan

ILSI has a Section 403(b) defined contribution retirement plan, which covers substantially all of its employees. Employer contributions to the plan are calculated at 7% of each eligible participant's salary. Participants may also make voluntary elective deferrals to the plan. For the years ended December 31, 2016 and 2015, pension contribution expense totaled \$85,809 and \$89,519, respectively.

Note G - Commitments and Contingencies

Office Lease

In May 2008, ILSI entered into an operating lease for office space in Washington, DC, which commenced in September 2008 and expires in January 2019. ILSI received certain concessions from the lease agreement, which have been amortized over the lease term on a straightline basis. The unamortized portion of these incentives is reported as deferred rent in the statements of financial position.

Rent expense, net of amortized rent abatements and amounts allocated to affiliates that share space (see Note D), under the office space lease agreement totaled \$222,782 and \$210,648 for the years ended December 31, 2016 and 2015, respectively.

Approximate future annual minimum lease payments, subject to an annual operating expense increase, under various leases are as follows:

Year ending December 31,	
2017	\$ 798,589
2018	818,554
2019	<u>68,352</u>
	<u>\$ 1,685,495</u>

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Notes to the Financial Statements (Continued)

Note G - Commitments and Contingencies (Continued)

In February 2017, ILSI executed a new lease for office space in Washington, DC. This new lease commences on the earlier of substantial completion of the tenant improvements of the office site or August 1, 2017 and expires 12 years after the date of commencement. As of the issuance of these financial statements, the total commitment towards the new lease totaled approximately \$8.8 million over the life of the lease. Rent expenses will be allocated to the affiliates as detailed in Note D.

Hotel Commitments

As of December 31, 2016, ILSI has entered into contracts with several hotels pertaining to future meetings. In the event that ILSI cancels or reduces its contracted provisions, it may be liable for certain penalties or liquidated damages, depending upon the date of cancellation. Minimum future cancellation fees for signed hotel contracts (excluding any applicable sales tax) is approximately \$279,000.