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ISLAND PRESS - CENTER FOR RESOURCE ECONOMICS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2014 AND 2013

MATTHEWS, CARTER & BOYCE

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ISLAND PRESS – CENTER FOR RESOURCE ECONOMICS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Island Press - Center for Resource Economics (the Center), which comprise the statements of financial positions as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

12500 Fair Lakes Circle • Suite 260 • Fairfax, Virginia 22033
P: 703.218.3600 • www.mcb-cpa.com • F: 703.218.1808

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Island Press - Center for Resource Economics as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matthews, Carter and Boyce

Fairfax, Virginia
May 14, 2015

ISLAND PRESS - CENTER FOR RESOURCE ECONOMICS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	December 31, 2014			December 31, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 1,167,782	$ 759,104	$ 1,926,886	$ 1,542,775	$ 140,980	$ 1,683,755
Grants and contributions receivable, current portion	32,397	981,500	1,013,897	46,325	178,000	224,325
Accounts receivable, net	562,352	-	562,352	608,784	-	608,784
Inventory, net	1,263,684	-	1,263,684	1,334,317	-	1,334,317
Prepublication costs	58,948	-	58,948	37,758	-	37,758
Royalty advances, net	248,266	-	248,266	274,767	-	274,767
Other current assets	119,176	-	119,176	115,270	-	115,270
Total Current Assets	$ 3,452,605	$ 1,740,604	$ 5,193,209	$ 3,959,996	$ 318,980	$ 4,278,976
GRANTS AND CONTRIBUTIONS RECEIVABLE, net of current portion	-	850,000	850,000	-	-	-
PROPERTY AND EQUIPMENT, NET	51,562	-	51,562	49,410	-	49,410
TOTAL ASSETS	$ 3,504,167	$ 2,590,604	$ 6,094,771	$ 4,009,406	$ 318,980	$ 4,328,386

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

ISLAND PRESS - CENTER FOR RESOURCE ECONOMICS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	December 31, 2014			December 31, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable and accrued expenses	$ 172,227	$ -	$ 172,227	$ 168,500	$ -	$ 168,500
Accrued payroll and related liabilities	241,211	-	241,211	212,837	-	212,837
Royalties payable	141,100	-	141,100	152,885	-	152,885
Deferred rent, current portion	2,768	-	2,768	2,768	-	2,768
Notes payable, current portion	-	-	-	100,000	-	100,000
Total Current Liabilities	$ 557,306	$ -	$ 557,306	$ 636,990	$ -	$ 636,990
Deferred rent, net of current portion	116,396	-	116,396	102,456	-	102,456
Notes payable, net of current portion	-	-	-	-	-	-
Total Liabilities	$ 673,702	$ -	$ 673,702	$ 739,446	$ -	$ 739,446
NET ASSETS						
Unrestricted						
Board-designated	$ 833,958	$ -	$ 833,958	$ 1,273,453	$ -	$ 1,273,453
Undesignated	1,996,507	-	1,996,507	1,996,507	-	1,996,507
Temporarily restricted	-	2,590,604	2,590,604	-	318,980	318,980
Total Net Assets	$ 2,830,465	$ 2,590,604	$ 5,421,069	$ 3,269,960	$ 318,980	$ 3,588,940
TOTAL LIABILITIES AND NET ASSETS	$ 3,504,167	$ 2,590,604	$ 6,094,771	$ 4,009,406	$ 318,980	$ 4,328,386

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

ISLAND PRESS - CENTER FOR RESOURCE ECONOMICS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	For the Year Ended December 31, 2014			For the Year Ended December 31, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT						
Book sales, net of returns	$ 2,446,945	$ -	$ 2,446,945	$ 2,538,499	$ -	$ 2,538,499
Grants, institutional foundations	297,431	2,929,594	3,227,025	1,415,442	454,158	1,869,600
Grants and contributions, family foundations and individuals	598,341	187,382	785,723	573,124	-	573,124
Interest and other income, net	16,495	-	16,495	11,141	-	11,141
Net assets released from restrictions	845,352	(845,352)	-	720,350	(720,350)	-
Total Revenues and Support	$ 4,204,564	$ 2,271,624	$ 6,476,188	$ 5,258,556	$ (266,192)	$ 4,992,364
EXPENSES						
Program services						
Research and publication	$ 1,984,664	$ -	$ 1,984,664	$ 1,874,614	$ -	$ 1,874,614
Outreach and education	1,070,302	-	1,070,302	1,067,402	-	1,067,402
Partnership and technical assistance	465,014	-	465,014	537,706	-	537,706
Supporting services						
General and administrative	586,958	-	586,958	570,554	-	570,554
Fundraising	537,121	-	537,121	444,826	-	444,826
Total Expenses	$ 4,644,059	$ -	$ 4,644,059	$ 4,495,102	$ -	$ 4,495,102
INCREASE (DECREASE) IN NET ASSETS	$ (439,495)	$ 2,271,624	$ 1,832,129	$ 763,454	$ (266,192)	$ 497,262
NET ASSETS AT BEGINNING OF THE YEAR	3,269,960	318,980	3,588,940	2,506,506	585,172	3,091,678
NET ASSETS AT END OF THE YEAR	$ 2,830,465	$ 2,590,604	$ 5,421,069	$ 3,269,960	$ 318,980	$ 3,588,940

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

ISLAND PRESS - CENTER FOR RESOURCE ECONOMICS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 1,832,129	$ 497,262
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Loss from sales of equipment	$ -	$ 29
Depreciation and amortization	13,397	12,728
Increase (decrease) in allowance for book returns	(22,872)	(16,157)
Increase (decrease) in allowance for doubtful accounts	(700)	(1,600)
Increase (decrease) in allowances for inventory and royalty advances	9,954	33,829
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants and contributions receivable	(1,639,572)	84,653
Accounts receivable	70,004	159,984
Inventory	45,707	36,778
Prepublication costs	(21,190)	9,825
Royalty advances	41,473	56,113
Other current assets	(3,906)	(55,723)
Increase (decrease) in:		
Accounts payable and accrued expenses	3,727	(125,288)
Accrued payroll and related liabilities	28,374	8,879
Royalties payable	(11,785)	(14,387)
Deferred rent	13,940	47,597
Total Adjustments	$ (1,473,449)	$ 237,260
Net Cash Provided by Operating Activities	$ 358,680	$ 734,522
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	$ (15,549)	$ (5,578)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of line of credit	$ -	$ (250,000)
Repayment of note payable	(100,000)	-
Net Cash Used by Financing Activities	$ (100,000)	$ (250,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 243,131	$ 478,944
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,683,755	1,204,811
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,926,886	$ 1,683,755
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 1,083	$ 2,930

There were no non-cash investing or financing activities in 2014 or 2013.

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

ISLAND PRESS - CENTER FOR RESOURCE ECONOMICS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Totals for 2013)

	Program Services				Supporting Services		Total for the Year Ended December 31, 2014	Total for the Year Ended December 31, 2013
	Research and Publication	Outreach and Education	Partnership & Technical Assistance	Total Program Services	General and Administrative	Fundraising		
Salaries, payroll taxes and employee benefits	$ 801,633	$ 478,423	$ 149,671	$ 1,429,727	$ 443,485	$ 403,226	$ 2,276,438	$ 2,152,714
Cost of books sold	1,005,546	-	-	1,005,546	-	-	1,005,546	1,079,920
Professional fees	11,399	280,733	111,229	403,361	43,192	1,634	448,187	447,320
Promotions	12,314	205,955	74,153	292,422	11,862	16,373	320,657	178,439
Program production	2,804	1,750	32,566	37,120	1,248	-	38,368	68,531
Occupancy	70,051	81,545	18,498	170,094	34,996	44,451	249,541	252,316
Travel and conferences	36,436	40	68,290	104,766	22,458	50,373	177,597	153,489
Postage and shipping	4,778	1,148	2,143	8,069	3,803	5,707	17,579	13,646
Supplies	2,007	1,208	2,881	6,096	6,194	1,471	13,761	64,681
Insurance	24,455	14,583	3,501	42,539	8,996	8,619	60,154	63,032
Telephone	4,586	1,034	1,102	6,722	8,157	2,551	17,430	17,325
Depreciation and amortization	5,152	3,360	804	9,316	2,082	1,999	13,397	12,728
Bank and interest charges	468	307	99	874	348	587	1,809	10,806
Bad debt expense (recovery)	2,702	-	-	2,702	-	-	2,702	(20,636)
Sales taxes and other fees/dues	333	216	77	626	137	130	893	791
Total for the year ended December 31, 2014	$ 1,984,664	$ 1,070,302	$ 465,014	$ 3,519,980	$ 586,958	$ 537,121	$ 4,644,059	
Total for the year ended December 31, 2013	$ 1,874,614	$ 1,067,402	$ 537,706	$ 3,479,722	$ 570,554	$ 444,826		$ 4,495,102

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

ISLAND PRESS - CENTER FOR RESOURCE ECONOMICS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services				Supporting Services		Total for the
	Research and Publication	Outreach and Education	Partnership & Technical Assistance	Total Program Services	General and Administrative	Fundraising	Year Ended December 31, 2013
Salaries, payroll taxes and employee benefits	$ 661,200	$ 488,915	$ 255,319	$ 1,405,434	$ 420,322	$ 326,958	$ 2,152,714
Cost of books sold	1,079,920	-	-	1,079,920	-	-	1,079,920
Professional fees	8,128	289,646	101,438	399,212	46,714	1,394	447,320
Promotions	5,903	167,272	1,505	174,680	555	3,204	178,439
Program production	-	-	68,531	68,531	-	-	68,531
Occupancy	51,208	84,128	34,785	170,121	35,060	47,135	252,316
Travel and conferences	43,138	278	55,148	98,564	23,132	31,793	153,489
Postage and shipping	3,113	1,462	1,913	6,488	3,152	4,006	13,646
Supplies	10,694	12,404	5,262	28,360	21,494	14,827	64,681
Insurance	20,210	15,520	9,064	44,794	8,953	9,285	63,032
Telephone	4,717	1,840	1,242	7,799	7,580	1,946	17,325
Depreciation and amortization	3,818	3,229	1,886	8,933	1,863	1,932	12,728
Bank and interest charges	2,964	2,507	1,496	6,967	1,613	2,226	10,806
Bad debt expense (recovery)	(20,636)	-	-	(20,636)	-	-	(20,636)
Sales taxes and other fees/dues	237	201	117	555	116	120	791
Total for the year ended December 31, 2013	$ 1,874,614	$ 1,067,402	$ 537,706	$ 3,479,722	$ 570,554	$ 444,826	$ 4,495,102

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

Note 1. Organization and Significant Accounting Policies

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimates under different assumptions or conditions.

Revenue Recognition

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

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

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

Cash Equivalents

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

Note 1. Organization and Significant Accounting Policies (Continued)

Grants and Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Center that is in substance, unconditional. Unconditional promises to give due in the next year are reflected as current grants and contributions receivable and are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reflected as long-term grants and contributions receivable and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. No discounts were recorded in 2014 or 2013 since the discount amounts would not have been significant.

Unconditional grants and contributions receivable at December 31, 2014 and 2013 are as follows:

	2014	2013
Receivable in less than one year	$ 1,013,897	$ 224,325
Receivable in two to five years	850,000	-
Total Grants and Contributions Receivable	$ 1,863,897	$ 224,325

Inventory

Inventory consists of books intended for resale and is stated at the lower of cost (average cost) or net realizable value. Cost of books sold includes plant and manufacturing costs, royalty expenses for books sold, plus write-downs of inventory and royalty advances to net realizable value. Write-downs of inventory and royalty advances totaled $163,053 and $232,735 for the years ended December 31, 2014 and 2013, respectively.

Prepublication Costs

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

Property and Equipment

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

Note 1. Organization and Significant Accounting Policies (Continued)

Concentrations of Credit Risk

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

Unrestricted Net Assets

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

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

Temporarily Restricted Net Assets

The Center reports grants as restricted support if they are received with grantor stipulations, such as time restrictions or restrictions as to the nature of the program that limits the use of the grants. When a grantor restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. As of December 31, 2014 and 2013, temporarily restricted net assets consist of grant revenues available for expenditure in future years.

Functional Allocation of Expenses

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

Note 1. Organization and Significant Accounting Policies (Concluded)

Income Taxes

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

The Center's tax returns filed subsequent to the year ended December 31, 2011 remain subject to examination by the tax jurisdiction where filed.

Uncertainty in income taxes recognized in the Center's financial statements is accounted for in accordance with the provisions of authoritative guidance issued by the FASB. Under this guidance, when tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others may be subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized tax benefits, along with any associated interest and penalties that would be payable to the taxing authorities upon examination. There was no liability for unrecognized tax benefits recognized in the statements of financial position at December 31, 2014 or 2013.

Note 2. Accounts Receivable

Accounts receivable consist of the following at December 31:

	2014	2013
Trade receivables	$ 681,281	$ 751,285
Allowance for book returns	(112,116)	(134,988)
Allowance for doubtful accounts	(6,813)	(7,513)
	$ 562,352	$ 608,784

Note 3. Inventory

Inventory consists of the following at December 31:

	2014	2013
Books for resale	$ 1,422,155	$ 1,467,861
Provision for write-downs	(158,471)	(133,544)
	$ 1,263,684	$ 1,334,317

Note 4. Royalty Advances

Royalty advances consist of the following at December 31:

	2014	2013
Royalty advances	$ 435,569	$ 477,042
Provision for write-downs	(187,303)	(202,275)
	$ 248,266	$ 274,767

Note 5. Property and Equipment

Property and equipment consists of the following at December 31:

	2014	2013
Equipment	$ 48,783	$ 38,295
Furniture and fixtures	27,758	27,758
Leasehold improvements	24,416	24,416
	$ 100,957	$ 27,758
Less: accumulated depreciation and amortization	(49,395)	(41,059)
	$ 51,562	$ 49,410

Note 6. Notes Payable

Notes payable consist of the following as of December 31:

	2014	2013
Loan payable to a private foundation with an original amount of $100,000. The note required quarterly interest payments at an annual rate of 2% of the unpaid principal, with the first payment of interest being due and payable on December 31, 2012. The principal was paid in eleven equal monthly installments of $8,333 beginning January 31, 2014 and one final installment of $8,337 on December 31, 2014.	$ -	$ 100,000
Total notes payable	$ -	$ 100,000
Less: current portion	-	100,000
Noncurrent Portion	$ -	$ -

Note 7. Line of Credit

The Center has a line of credit agreement with a bank whereby the Center can borrow up to a maximum of $500,000. Borrowings under this line are due on demand, are secured by all of the Center's assets, and bear interest at the bank's prime rate plus 1.00%. The line of credit agreement requires the Center to maintain certain financial covenants. The line of credit agreement expires in December 2015. The outstanding balance under the line of credit was $0 at both December 31, 2014 and 2013.

Note 8. Related Party Activities

During the years ended December 31, 2014 and 2013, the Center recorded grants from directors and their family members as follows:

Year Issued	Type of Grant	Grant Amount
2014	Unrestricted grants	$ 76,797
2014	Restricted grants	$ 200,802
2013	Unrestricted grants	$ 1,401,550
2013	Restricted grants	$ 193,450

Additionally, during the years ended December 31, 2014 and 2013, the Center recorded unrestricted contributions of $228,509 and $86,350, respectively, from various board members and their families. There were no grants and contributions receivable from related parties as of December 31, 2014 or 2013.

Note 9. Retirement Plan

The Center maintains the Island Press Defined Contribution Retirement Plan (the Plan), a defined contribution plan, for all employees with more than one year of service. The Plan allows for contributions up to the maximum allowable by law. Employer matching contributions are not required, but can be made at the election of the Center. Participants are fully and immediately vested in both employee and Center contributions as well as earnings and losses thereon. The Center made no contributions to the Plan for the years ended December 31, 2014 or 2013.

Note 10. Major Grantors

As of December 31, 2014, two grantors accounted for 93% of the total grants receivable balance. As of December 31, 2013 three grantors accounted for 93% of the grants receivable balance.

During the year ended December 31, 2014 two grantors accounted for 76% of total grant revenue. During the year ended December 31, 2013 one grantor accounted for 57% of total grant revenue.

Note 11. Commitments

As of December 31, 2014, the Center leased office space and equipment under the terms of noncancelable operating leases. The Center entered into a lease for office space which commenced in September 2012 and will continue for a period of ten years and three months at an initial base rent of $17,498 per month. Annual increases under the lease are two and one half percent each year, except for the sixth year, when the increase will be two dollars per square foot. The lease contains certain incentives in the form of a build-out allowance and an abatement of rent for the first ninety-nine days of the lease term. The scheduled future minimum lease payments required under operating leases that have initial or remaining terms in excess of one year are as follows:

Years Ending December 31,	
2015	$ 227,393
2016	232,942
2017	234,887
2018	240,405
2019	250,473
Thereafter	789,620
	$ 1,975,720

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

Rent expense totaled $234,245 and $234,464 for the years ended December 31, 2014 and 2013, respectively.

Note 12. Subsequent Events

The Center has evaluated events through May 14, 2015, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to December 31, 2014 that would have a material impact on the Center's results of operations or financial position.