

**THE PARENT PROJECT FOR MUSCULAR  
DYSTROPHY RESEARCH, INC.  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**THE PARENT PROJECT FOR MUSCULAR  
DYSTROPHY RESEARCH, INC.  
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YEAR ENDED DECEMBER 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
The Parent Project for Muscular  
Dystrophy Research, Inc.

I have audited the accompanying financial statements of The Parent Project for Muscular Dystrophy Research, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Parent Project for Muscular Dystrophy Research, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other**

The 2015 financial statements were audited by a predecessor auditor whose report dated June 27, 2016 expressed an unmodified opinion on those financial statements.

April 24, 2017  
Hillsborough, NJ

**THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current assets		
Cash & cash equivalents	\$ 3,447,562	\$ 2,051,943
Grants receivable	313,869	106,422
Pledges & accounts receivable	428,339	241,320
Employee advances	4,929	10,036
Merchandise inventory	13,393	37,803
Prepaid grants	140,775	48,393
Prepaid expenses	84,683	165,379
	<u>4,433,550</u>	<u>2,661,296</u>
Property & equipment		
Office equipment	97,987	88,571
Office furniture	34,221	33,125
Leasehold improvements	6,180	6,180
	<u>138,388</u>	<u>127,876</u>
Less accumulated depreciation	<u>(86,746)</u>	<u>(58,365)</u>
	51,642	69,511
Other assets		
Security deposit	<u>22,607</u>	<u>4,275</u>
	<u>\$ 4,507,799</u>	<u>\$ 2,735,082</u>
<b>Liabilities &amp; Net Assets</b>		
Current liabilities		
Accounts payable & accrued expenses	\$ 82,402	\$ 130,531
Grants received in advance	769,010	-
Research grants payable	500,000	106,392
	<u>1,351,412</u>	<u>236,923</u>
Net assets		
Unrestricted	1,822,424	2,208,424
Temporarily restricted	1,333,963	289,735
	<u>3,156,387</u>	<u>2,498,159</u>
	<u>\$ 4,507,799</u>	<u>\$ 2,735,082</u>

See accompanying notes to financial statements.

THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Public Support</b>						
Contributions	\$ 5,374,139	\$ 1,333,963	\$ 6,708,102	\$ 5,349,024	\$ 2,339,414	\$ 7,688,438
Grants	652,115	-	652,115	-	-	-
Conference registration fees	364,129	-	364,129	161,900	-	161,900
Special events						
Gross income	858,699	-	858,699	1,038,163	-	1,038,163
Direct expense	(363,279)	-	(363,279)	(197,600)	-	(197,600)
	495,420	-	495,420	840,563	-	840,563
	6,885,803	1,333,963	8,219,766	6,351,487	2,339,414	8,690,901
<b>Investment Income</b>						
Interest & dividends	3,220	-	3,220	377	-	377
Loss on sale of donated securities	(4,094)	-	(4,094)	(10,664)	-	(10,664)
	(874)	-	(874)	(10,287)	-	(10,287)
	6,884,929	1,333,963	8,218,892	6,341,200	2,339,414	8,680,614
Assets released from restriction	289,735	(289,735)	-	2,049,679	(2,049,679)	-
Total income	7,174,664	1,044,228	8,218,892	8,390,879	289,735	8,680,614
<b>Functional Expenses</b>						
Program services						
Research	4,630,512	-	4,630,512	5,092,322	-	5,092,322
Education	1,472,310	-	1,472,310	1,165,370	-	1,165,370
Advocacy	450,046	-	450,046	264,216	-	264,216
	6,552,868	-	6,552,868	6,521,908	-	6,521,908
Supporting services						
Management & general	527,324	-	527,324	426,231	-	426,231
Fund raising	480,472	-	480,472	761,762	-	761,762
	1,007,796	-	1,007,796	1,187,993	-	1,187,993
	7,560,664	-	7,560,664	7,709,901	-	7,709,901
Total expenses						
Increase (decrease) in net assets	(386,000)	1,044,228	658,228	680,978	289,735	970,713
Net assets, beginning of year	2,208,424	289,735	2,498,159	1,527,446	-	1,527,446
Net assets, end of year	\$ 1,822,424	\$ 1,333,963	\$ 3,156,387	\$ 2,208,424	\$ 289,735	\$ 2,498,159

See accompanying notes to financial statements.

**THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE TOTALS FOR 2015**

	2016				2015				
	Program Services		Supporting Services		Program Services		Supporting Services		
	Research	Education	Advocacy	Total	Management & General	Fund Raising	Total	Total Expenses	2015 Total
Salaries	\$ 1,247,357	\$ 428,980	\$ 96,008	\$ 1,772,345	\$ 154,046	\$ 122,726	\$ 276,772	\$ 2,049,117	\$ 1,761,341
Payroll tax & fringe benefits	135,260	47,291	10,128	192,679	15,369	12,244	27,613	220,292	181,813
	<u>1,382,617</u>	<u>476,271</u>	<u>106,136</u>	<u>1,965,024</u>	<u>169,415</u>	<u>134,970</u>	<u>304,385</u>	<u>2,269,409</u>	<u>1,943,154</u>
Grants	2,479,536	203,450	-	2,682,986	-	-	-	2,682,986	3,023,969
Accounting fees	47,754	15,461	3,054	66,269	6,097	4,858	10,955	77,224	151,676
Conferences & meetings	6,656	491,495	167,034	665,185	131	-	131	665,316	484,483
Legal counsel	20,075	-	-	20,075	1,844	-	1,844	21,919	34,958
Bank charges	-	-	-	-	14,834	147,699	162,533	162,533	172,898
Interest	-	-	-	-	-	-	-	-	1,893
Fees & permits	10,075	5,353	10,691	26,119	7,812	7,928	15,740	41,859	122,824
Insurance	20,926	-	4,353	25,279	89,992	-	89,992	115,271	105,749
Outside services	210,835	31,273	6,600	248,708	4,125	800	4,925	253,633	169,223
Human resources support	-	-	-	-	15,100	-	15,100	15,100	16,506
Office expenses & supplies	18,097	4,903	164	23,164	32,371	8,446	40,817	63,981	66,322
Technology	6,016	210	-	6,226	55,386	-	55,386	61,612	32,438
Rent	78,738	20,811	3,988	103,537	8,207	6,538	14,745	118,282	134,861
Postage & shipping	61	9,250	32	9,343	10,619	6,951	17,570	26,913	33,568
Printing & publications	352	32,520	-	32,872	3,708	18,554	22,262	55,134	25,913
Consulting expense	112,929	53,183	114,130	280,242	62,778	33,750	96,528	376,770	565,956
Telephone	4,702	21,331	1,676	27,709	7,882	6,732	14,614	42,323	31,866
Utilities	2,595	11,793	943	15,331	4,481	3,774	8,255	23,586	21,263
Merchandise	-	1,673	-	1,673	-	61,330	61,330	63,003	36,578
Travel	211,793	76,625	27,476	315,894	16,255	25,285	41,540	357,434	409,236
Meals	15,024	7,172	2,631	24,827	7,856	4,316	12,172	36,999	100,139
Translation & outreach	-	996	-	996	-	-	-	996	550
Loss on equipment	-	-	-	-	-	-	-	-	3,991
	<u>4,628,781</u>	<u>1,463,770</u>	<u>448,908</u>	<u>6,541,459</u>	<u>518,893</u>	<u>471,931</u>	<u>990,824</u>	<u>7,532,283</u>	<u>7,690,014</u>
Depreciation	1,731	8,540	1,138	11,409	8,431	8,541	16,972	28,381	19,887
Total functional expenses	\$ <u>4,630,512</u>	\$ <u>1,472,310</u>	\$ <u>450,046</u>	\$ <u>6,552,868</u>	\$ <u>527,324</u>	\$ <u>480,472</u>	\$ <u>1,007,796</u>	\$ <u>7,560,664</u>	\$ <u>7,709,901</u>

See accompanying notes to financial statements.

**THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2015**

	Program Services				Supporting Services			Total Expenses
	Research	Education	Advocacy	Total	Management & General	Fund Raising	Total	
Salaries	\$ 1,143,558	\$ 291,296	\$ 32,671	\$ 1,467,525	\$ 100,882	\$ 192,934	\$ 293,816	\$ 1,761,341
Payroll tax & fringe benefits	116,573	34,884	1,717	153,174	9,833	18,806	28,639	181,813
	<u>1,260,131</u>	<u>326,180</u>	<u>34,388</u>	<u>1,620,699</u>	<u>110,715</u>	<u>211,740</u>	<u>322,455</u>	<u>1,943,154</u>
Grants	2,872,225	151,744	-	3,023,969	-	-	-	3,023,969
Accounting fees	99,821	20,104	5,156	125,081	9,131	17,464	26,595	151,676
Conferences & meetings	19,686	381,638	83,159	484,483	-	-	-	484,483
Legal counsel	22,275	-	-	22,275	12,683	-	12,683	34,958
Bank charges	-	-	-	-	11,630	161,268	172,898	172,898
Interest	-	-	-	-	1,893	-	1,893	1,893
Fees & permits	11,150	6,760	560	18,470	14,377	89,977	104,354	122,824
Insurance	2,394	-	20,152	22,546	83,203	-	83,203	105,749
Outside services	152,129	14,665	-	166,794	1,335	1,094	2,429	169,223
Human resources support	-	-	-	-	16,506	-	16,506	16,506
Office expenses & supplies	9,525	9,469	180	19,174	32,985	14,163	47,148	66,322
Technology	6,000	-	-	6,000	26,438	-	26,438	32,438
Rent	89,386	17,628	3,859	110,873	8,264	15,724	23,988	134,861
Postage & shipping	-	26,108	-	26,108	-	7,460	7,460	33,568
Printing & publications	1,092	7,832	-	8,924	4,801	12,188	16,989	25,913
Consulting fees	291,375	117,525	87,056	495,956	17,000	53,000	70,000	565,956
Telephone	1,329	20,609	1,096	23,034	2,944	5,888	8,832	31,866
Utilities	-	-	-	-	21,263	-	21,263	21,263
Merchandise	-	-	-	-	-	36,578	36,578	36,578
Travel	235,345	46,819	21,192	303,356	29,611	76,269	105,880	409,236
Meals	17,245	12,458	5,688	35,391	11,630	53,118	64,748	100,139
Translation & outreach	550	-	-	550	-	-	-	550
Loss on equipment	-	-	-	-	3,991	-	3,991	3,991
	<u>5,091,658</u>	<u>1,159,539</u>	<u>262,486</u>	<u>6,513,683</u>	<u>420,400</u>	<u>755,931</u>	<u>1,176,331</u>	<u>7,690,014</u>
Depreciation	664	5,831	1,730	8,225	5,831	5,831	11,662	19,887
Total functional expenses	\$ 5,092,322	\$ 1,165,370	\$ 264,216	\$ 6,521,908	\$ 426,231	\$ 761,762	\$ 1,187,993	\$ 7,709,901

See accompanying notes to financial statements.

**THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 658,228	\$ 970,713
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	28,381	19,887
Loss on disposal of fixed assets	-	3,991
Loss on sale of donated securities	4,094	10,664
Receipt of gifts of marketable securities	(873,122)	(2,129,792)
(Increase) decrease in:		
Grants receivable	(207,447)	(57,246)
Pledges & accounts receivable	(187,019)	-
Employee advances	5,107	-
Merchandise inventory	24,410	2,239
Prepaid grants	(92,382)	336,841
Prepaid expenses	80,696	(62,547)
Security deposit	(18,332)	(101)
Increase (decrease) in:		
Accounts payable & accrued expenses	(48,129)	44,812
Grants received in advance	769,010	-
Research grants payable	393,608	(161,583)
	<u>537,103</u>	<u>(1,022,122)</u>
Cash provided by (used in) operating activities	537,103	(1,022,122)
<b>Cash flows from investing activities</b>		
Acquisition of fixed assets	(10,512)	(75,004)
Proceeds from sale of investments	869,028	2,119,128
	<u>858,516</u>	<u>2,044,124</u>
Cash provided by investing activities	858,516	2,044,124
Net increase in cash & cash equivalents	1,395,619	1,022,002
Cash & cash equivalents		
Beginning of year	<u>2,051,943</u>	<u>1,029,941</u>
End of year	<u>\$ 3,447,562</u>	<u>\$ 2,051,943</u>

See accompanying notes to financial statements.



**THE PARENT PROJECT FOR MUSCULAR  
DYSTROPHY RESEARCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**(1) Summary of Significant Accounting Policies**

*Nature of activities*

The Parent Project for Muscular Dystrophy Research, Inc. (the Parent Project) raises funds for research programs to find a viable treatment and cure specifically for children afflicted with Duchenne and Becker Muscular Dystrophy. The Organization also educates parents, health care providers, and the general public about Muscular Dystrophy through conferences, pamphlets, and brochures. In addition, a legislative conference is sponsored for the purpose of educational advocacy, and the Organization indirectly influences the National Institutes of Health (NIH) implementation of the MD Care Act through outside consultants. The Organization operates throughout the United States, but collaborates with organizations around the world.

*Basis of presentation*

In accordance with generally accepted accounting principles, the Parent Project reports its statements of financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Revenue with temporary restrictions which is expended in the same year is considered unrestricted for financial statement presentation. As of December 31, 2016 and 2015, the Parent Project has unrestricted and temporarily restricted net assets.

*Cash & cash equivalents*

The financial statement item "cash & cash equivalents" consists of demand deposits, including money market funds, in depository financial institutions and highly liquid investments in money market funds.

*Contributions*

Contributions received are recognized as revenue when pledged. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor-imposed restrictions.

*Grants*

Grants are recorded as revenue during the period for which the funds are intended or the related activity occurs. Amounts received in advance are deferred into the intended period. Grants are defined as the receipt of funds where the grantor expects provision of certain services of commensurate value.

*Premises & equipment*

Acquisitions of premises and equipment with estimated useful lives in excess of one year are capitalized and depreciated over the estimated useful life of each asset. Leasehold improvements are amortized over the life of the asset or the length of the lease, whichever is shorter.

*Functional expenses*

Expenses are charged to each program based on direct expenditures incurred. Any expenses not directly chargeable are allocated to programs and supporting services based on applicable rates determined by management.

*Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**THE PARENT PROJECT FOR MUSCULAR  
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NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

*Concentrations of credit and funding risk*

Financial instruments that potentially expose the Parent Project to concentrations of credit and market risk consist primarily of cash equivalents. Cash equivalents are maintained at high-quality financial institutions, and credit exposure is limited to any one institution. The Parent Project has not experienced any losses on its cash or cash equivalents.

*Research grants*

The Parent Project recognizes the liability for research grants as stipulated under the research grant agreements. Liabilities of \$500,000 and \$106,392 were recognized according to the outstanding research grant agreements at December 31, 2016 and 2015, respectively. In certain instances, the Parent Project will make grant payments in advance of research being performed, which results in prepaid grants being recorded as an asset. Prepaid grants were \$140,775 and \$48,303 at December 31, 2016 and 2015, respectively.

*Merchandise inventory*

Merchandise inventory is stated at lower-of-cost or market. Cost is determined by specific identification method.

*Accounting for uncertainty in income taxes*

The Parent Project's accounting policy is to disclose contingencies relating to uncertain tax positions when a liability is probable and estimable. The Parent Project is not aware of any violation of tax status or exposure to uncertain tax positions that could require disclosure or which could affect its liquidity or future cash flows. The Parent Project's exempt organization filings for the years ended December 31, 2013 through 2016 are subject to examination by the Internal Revenue Service. Further, the Internal Revenue Service may examine the Parent Project's financial activities for income and unrelated business income tax for those years.

*New accounting pronouncements*

The Financial Accounting Standards Board (FASB) issued Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), in August 2016. Under this guidance, not-for-profit entities will report *net assets with donor restrictions* and *net assets without donor restrictions* instead of the currently-required three classes. Not-for-profit entities will also provide enhanced disclosures regarding board designations, composition of net assets with donor restrictions, management of liquid resources available to meet cash needs, cost allocation among program and support functions, and underwater endowment funds. Further, the guidance requires reporting of investment returns net of investment expenses and clarifies accounting and disclosure for gifts restricted to the acquisition or construction of long-lived assets. The amendments in this Update are effective for years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Management is evaluating the impact of this updated guidance on its financial statements.

The Financial Accounting Standards Board (FASB) issued Update No. 2016-02, *Leases* (Topic 842), in February 2016. Under this guidance, lessees are required to record most leases on their balance sheets but recognize expenses in the income statement. All entities will classify leases to determine how to recognize lease-related revenue and expense. In applying this guidance, entities must also determine whether an arrangement contains a lease or service agreement. Disclosures are required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments in this Update are effective for fiscal years beginning after December 15, 2019 and for interim periods within fiscal years beginning after December 15, 2020. Management is evaluating the impact of this updated guidance on its financial statements.

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In May 2014, the FASB issued ASU 2014-10, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in US GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2-15-14, *Revenue from Contracts with Customers (Topic 606) - Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 by one year. The updated standard will be effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016. Management is evaluating the impact the updated standard will have on the financial statements.

The Financial Accounting Standards Board (FASB) issued Update No 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*, in November 2016, requiring a statement of cash flows to explain the change during the period in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash or 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. The amendments in this Update are effective for fiscal years beginning after December 31, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, and the Update should be applied using a retrospective transition method to each period presented. Management is evaluating the impact the updated standard will have on the financial statements.

**(2) Operating Lease Commitments**

The Parent Project is obligated under the terms of leases for office space, an apartment in New York, and certain equipment as follows:

<u>Year ending December 31</u>	
2017	\$135,597
2018	110,504
2019	103,351
2020	102,845
2021	<u>53,761</u>
	<u>\$506,058</u>

Rent expense totaled \$118,282 for the year ended December 31, 2016.

**(3) Retirement Plan**

The Parent Project sponsors a 401(k) profit sharing plan covering substantially all employees. The Parent Project contributes a base amount of 3% of eligible compensation and matches up to an additional 1% of employee elective deferrals. Employees are eligible to participate on their first day of work. For the year ended December 31, 2016, contributions to the plan totaled \$71,757.

**(4) Income Tax Status**

The Parent Project qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and therefore, has no provision for income taxes.

**THE PARENT PROJECT FOR MUSCULAR  
DYSTROPHY RESEARCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**(5) Special Events**

During the year ended December 31, 2016, the Parent Project held various events with the following results:

	<u>2016</u>	<u>2015</u>
Gross revenue	\$858,699	\$1,038,163
Direct expense	<u>(363,279)</u>	<u>(197,600)</u>
	<u>\$495,420</u>	<u>\$ 840,563</u>

**(6) Line of credit**

The Parent Project has a \$250,000 line of credit with a bank which is subject to renewal in July 2017. Interest on the outstanding balance accrues at the rate of 6.25%. The Parent Project had no outstanding balance on the line of credit as of December 31, 2016.

**(7) Management Evaluation of Subsequent Events**

Management has evaluated subsequent events through April 24, 2017, the date which the financial statements are available to be issued.