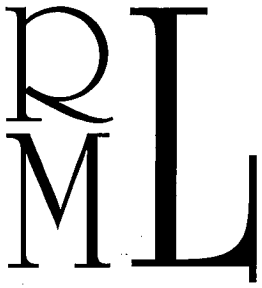


**MEDSHARE INTERNATIONAL, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2010
INDEPENDENT AUDITOR'S REPORT**

R MICHAEL LABOUNTY & ASSOCIATES, P.C.
Certified Public Accountants
2750 Buford Highway, Suite 247
Atlanta, GA 30324

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
MedShare International, Inc.
3240 Clifton Springs Road
Decatur, GA 30034

We have audited the accompanying Statement of Financial Position of MedShare International, Inc. (a non-profit organization) as of June 30, 2010 and the related Statements of Activities and Changes in Net Assets, and Cash Flows for the year then ended. These financial statements are the responsibility of MedShare International, Inc.'s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MedShare International, Inc. as of June 30, 2010 and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

R. MICHAEL LABOUNTY & ASSOCIATES, P.C.

Atlanta, Georgia
September 28, 2010

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2010

ASSETS

CURRENT ASSETS:

Cash	\$	103,355
Money market funds		1,164,364
Pledges receivable		523,500
Inventory		10,362,707
Prepaid expenses		58,456
Other		<u>116,904</u>

Total current assets		<u>12,329,286</u>
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PROPERTY AND EQUIPMENT (NOTE 1):

Land		340,552
Building		1,585,723
Furniture and equipment		345,430
Accumulated depreciation		<u>(386,281)</u>

Property and equipment - net		<u>1,885,424</u>
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OTHER ASSETS:

Pledges receivable		800,945
Endowment assets (Note 7)		1,004,225
Deposits		<u>20,976</u>

Total other assets		<u>1,826,146</u>
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Total Assets	\$	<u><u>16,040,856</u></u>
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SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF JUNE 30, 2010

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 101,638
Line of credit	150,000
Deferred revenue	85,567
Deferred rent	<u>40,697</u>

Total current liabilities 377,902

COMMITMENTS AND CONTINGENCIES (NOTE 3):

NET ASSETS:

Unrestricted	12,213,287
Temporarily restricted (Note 5)	2,449,667
Permanently restricted (Note 7)	<u>1,000,000</u>

Total net assets 15,662,954

Total liabilities and net assets \$ 16,040,856

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, support and gains				
Grants and contributions	\$ 1,127,273	\$ -	\$ -	\$ 1,127,273
Contributions for specific projects	-	3,363,743	-	3,363,743
In-kind contributions				
Equipment and supplies	14,609,429	-	-	14,609,429
Professional services	107,963	-	-	107,963
Earnings on endowment assets	-	4,225	-	4,225
Other income	11,327	-	-	11,327
	<u>15,855,992</u>	<u>3,367,968</u>	<u>-</u>	<u>19,223,960</u>
Net assets released from restrictions	2,077,408	(2,077,408)	-	-
Transfer to create endowment fund (Note 7)	<u>-</u>	<u>(1,000,000)</u>	<u>1,000,000</u>	<u>-</u>
 Total revenues, support and gains	<u>17,933,400</u>	<u>290,560</u>	<u>1,000,000</u>	<u>19,223,960</u>
 Expenses:				
Program expenses	15,784,132	-	-	15,784,132
Fundraising expenses	468,171	-	-	468,171
General and administrative expenses	286,189	-	-	286,189
	<u>16,538,492</u>	<u>-</u>	<u>-</u>	<u>16,538,492</u>
 INCREASE IN NET ASSETS	<u>1,394,908</u>	<u>290,560</u>	<u>1,000,000</u>	<u>2,685,468</u>
 NET ASSETS, BEGINNING OF YEAR	<u>10,818,379</u>	<u>2,159,107</u>	<u>-</u>	<u>12,977,486</u>
 NET ASSETS, END OF YEAR	<u>\$ 12,213,287</u>	<u>\$ 2,449,667</u>	<u>\$ 1,000,000</u>	<u>\$ 15,662,954</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services	Fundraisin g	General & Administrativ e	Total Supporting Services	Total
Equipment and supplies shipped	\$ 13,415,597	\$ -	\$ -	\$ -	\$ 13,415,597
Personnel	1,139,384	362,503	137,049	499,552	1,638,936
Shipping	563,575	-	-	-	563,575
Occupancy	297,388	841	841	1,682	299,070
Professional fees	68,062	56,188	133,422	189,610	257,672
Depreciation	104,924	1,070	1,070	2,140	107,064
Office expenses	79,513	26,328	4,944	31,272	110,785
Travel	35,238	9,323	2,805	12,128	47,366
Other expenses	27,292	1,782	1,035	2,817	30,109
Insurance	42,154	106	3,713	3,819	45,973
Marketing	10,992	10,017	-	10,017	21,009
Interest	13	13	1,310	1,323	1,336
Total expenses	<u>\$ 15,784,132</u>	<u>\$ 468,171</u>	<u>\$ 286,189</u>	<u>\$ 754,360</u>	<u>\$ 16,538,492</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:	
Increase in Net Assets:	\$ 2,685,468
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	107,064
Loss on disposal of assets	5,441
Decrease in pledges receivable	1,109,788
(Increase) in inventory	(1,295,614)
(Increase) in prepaid expense	(597)
(Increase) in other current assets	(57,531)
Increase in accounts payable and accrued expenses	14,319
(Decrease) in line of credit	(150,000)
Increase in deferred revenue	2,207
(Decrease) in deferred rent	<u>(7,699)</u>
Cash Provided by Operating Activities	<u>2,412,846</u>
CASH FLOWS (USED BY) INVESTING ACTIVITIES:	
Creation of endowment fund	(1,000,000)
Earnings on endowment assets	(4,225)
Purchase of property and equipment	<u>(44,070)</u>
Cash (Used By) Investing Activities	<u>(1,048,295)</u>
CASH FLOWS (USED BY) FINANCING ACTIVITIES:	
(Decrease) in long term debt	<u>(375,629)</u>
NET INCREASE IN CASH	<u>988,922</u>
CASH, BEGINNING OF YEAR	<u>1,079,742</u>
CASH, END OF YEAR	<u>\$ 2,068,664</u>
OTHER SUPPLEMENTAL INFORMATION	
Interest paid	<u>\$ 1,336</u>
Income taxes paid	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**MEDSHARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Principles

This Summary of Significant Accounting Policies of MedShare International, Inc. is presented to assist in understanding its financial statements.

Nature of Activities

MedShare International, Inc. (the "Organization") was incorporated in December, 1998. The Organization is dedicated to recycling surplus medical supplies and equipment for use by healthcare institutions primarily in Central America and Africa. To achieve this mission, MedShare International, Inc. collects supplies and equipment that are still valuable but no longer in demand in the United States due to procedural excess, technological change, regulatory requirements, or production overage. MedShare International, Inc. then arranges for the shipment and distribution of these items to healthcare facilities in the targeted developing countries. The Organization operates out of a 48,500 square foot warehouse facility in Decatur, Georgia and a 32,472 square foot warehouse facility in San Leandro, California.

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the generally accepted accounting principles. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services

Donated services are recognized as contributions in accordance with generally accepted accounting principles, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the year ended June 30, 2010, many individuals volunteered their time in support of the Organization's programs. The individuals' time did not meet the above criteria to be recorded as contributions in the financial statements. However, the Organization does receive professional services that meet these criteria. The value of these services was \$107,963 for the year ended June 30, 2010. Of these services, 35% supported programmatic activities and 65% were for administrative activities.

MEDSHARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

Note 1 - Summary of Significant Accounting Principles (Continued)

Inventory

Inventory is stated at the lower of cost or market on a specific identification basis.

Property and Equipment

Property and equipment are carried at cost. Depreciation is provided using a straight-line method over periods from five to forty years. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense for the year ended June 30, 2010 was \$107,064.

Pledges Receivable

Contributions are recognized when the donor makes a written pledge to the Organization. Short-term pledges receivable have a term of less than one year. Long-term pledges receivable have a term of more than one year and less than five years. The Organization uses the allowance method to determine uncollectible pledges receivable. Management evaluates the need for an allowance on an annual basis. As a result of that evaluation, no allowance is considered necessary for the year ended June 30, 2010.

Public Support and Revenue

Unconditional promises to give are recorded as received. Unconditional grants due in the next year are reflected as receivables and are recorded at their net realizable value. Contributions of non-cash assets are recorded at their fair values in the period received. The Organization is supported primarily by private contributions.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. For the year ended June 30, 2010, the Organization did not have any unrelated business income, and accordingly, no unrelated business income tax. The Institution has elected to defer the adoption of the FAS's most recent interpretation for recognition, measurement and disclosing uncertainty in income taxes and continues to follow the guidance used previously without consideration of this interpretation.

MEDSHARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

Note 1 - Summary of Significant Accounting Principles (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 year. Actual results could differ from those estimates.

Note 2 – Building Purchase

In January 2007, the Organization purchased its warehouse facility in Decatur, Georgia for \$1,843,000 plus closing costs. The Organization borrowed \$500,000 from a local bank and used Capital Campaign funds to pay for the building. The loan balance was paid in full in August 2009.

Note 3 – Line of Credit

The Organization has a line of credit with a commercial bank that allows the Organization to borrow up to \$500,000. Any amounts borrowed are secured by the Organization's inventory. The interest rate on any borrowing is the prime rate plus 0 percent, with a rate floor of 4.75%. As of June 30, 2010, the outstanding balance was \$150,000. The interest rate was 4.75% at June 30, 2010.

Note 4 – Lease Commitment

As of August 2008 the Organization leases space for its operations in California under the terms of a non-cancelable lease agreement expiring July 2013. Rent expense for the year ended June 30, 2010 was \$222,626. Future minimum lease payments over the remaining term of the leases as of June 30, 2010 are as follows:

Year Ending June 30,		
2011	\$	230,204
2012		237,110
2013		<u>140,707</u>
	\$	<u>608,021</u>

MEDSHARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of contributions the Organization has received subject to donor-imposed restrictions and interest earned on endowment fund assets consisting of the following at June 30, 2010:

Container Sponsorships & Operating Grants	\$	1,343,015
Capital Campaign		1,054,176
Interest on endowment fund		4,225
Other		<u>48,251</u>
 Total temporarily restricted net assets	 \$	 <u>2,449,667</u>

Net assets totaling \$2,077,408 were released from donor restrictions during the year ended June 30, 2010.

Note 6 – Concentration of Credit Risks

The Organization maintains cash balances at several financial institutions. The account balances (as reflected in the Organization's records) are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). There were no balances in excess of the FDIC limit at June 30, 2010. Management believes that the quality of the financial institutions with which these amounts are deposited render the risk of loss minimal.

Note 7 – Endowed Net Assets

The Organization established the MedShare Building Maintenance Endowment Fund (the endowment) from capital campaign contributions for the purpose of providing funds for the maintenance and repair of the headquarters building in Decatur, GA. The endowment consists of this one fund and includes only donor-restricted funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Organization's Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization's endowment net asset composition is as follows as of June 30, 2010:

Temporarily Restricted	\$	4,225
Permanently Restricted		<u>1,000,000</u>
 Total funds	 \$	 <u>1,004,225</u>

The permanently restricted net assets are composed of \$276,256 of pledge receivables and \$723,744 of funds invested in money market accounts at June 30, 2010.

MEDSHARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

Note 7 – Endowed Net Assets (Continued)

Changes in the Organization’s endowment for the year ended June 30, 2010 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Beginning Balance	\$ -	\$ -	\$ -
Transfer from temporarily restricted net assets		1,000,000	1,000,000
Interest and dividends	4,225		4,225
Ending Balance	<u>\$ 4,225</u>	<u>\$ 1,000,000</u>	<u>\$ 1,004,225</u>

Interpretation of Relevant Law

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 gift(s) 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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization.

MEDSHARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

Note 7 – Endowed Net Assets (Continued)

Investment Policy

In June 2010, the Organization's Board of Trustees adopted an investment and spending policy for endowment assets which attempts to provide a predictable stream of funding to support building maintenance while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowed assets were invested subsequent to year end in a manner that is intended to maximize the results while assuming a moderate level on investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 5-7% 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 total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Organization has a policy of appropriating for distribution each year 0.0% to 4.5% of its endowment fund's average fair value over the prior 12 quarters through the fiscal year end preceding the fiscal year in which the distribution is planned. 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 allow its endowment to grow at an average of 0.5% to 7%. This is consistent with the Organization's objective to maintain the purchasing power of 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. There were no disbursements during the year ended June 30, 2010.

Note 8 – Economic Environment

During fiscal year ended June 30, 2010, the United States and global credit markets remained illiquid. This has resulted in several high-profile investment and commercial bank failures. These problems have affected the broader U.S. and global markets, as well as consumer confidence. The U.S. stock market has not yet recovered to its September 2008 level. It is uncertain how this downturn in the financial markets and consumer confidence may affect the operations, funding and contribution income of nonprofit organizations in the near future.

Note 9 – Subsequent Events

Management has evaluated events and transactions which occurred through September 28, 2010, which was the date the financial statements were available to be issued. As a result of this evaluation, management determined no events or transactions are required to be disclosed.