

**MEDSHARE INTERNATIONAL, INC.
AUDITED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
JUNE 30, 2013 AND 2014**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees.
MedShare International, Inc.
3420 Clifton Springs Road
Decatur, GA 30034-4608

Report on the Financial Statements

We have audited the accompanying financial statements of MedShare International, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2013 and 2014, 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 upon our audits. 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 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 upon 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, 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.

To the Board of Trustees.
MedShare International, Inc.
3420 Clifton Springs Road
Decatur, GA 30034-4608

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position as of June 30, 2013 and 2014, 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.

R MICHAEL LaBOUNTY & ASSOCIATES, PC

Atlanta, Georgia
October 7, 2014

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND 2014

	2013	2014
ASSETS		
CURRENT ASSETS:		
Cash	\$ 688,062	\$ 128,780
Money market funds	1,208,123	2,182,354
Pledges receivable	848,000	625,000
Inventory	15,296,988	19,369,427
Prepaid expenses	25,288	35,632
Other	<u>69,127</u>	<u>8,249</u>
Total current assets	<u>18,135,588</u>	<u>22,349,442</u>
PROPERTY AND EQUIPMENT:		
Land	340,552	340,552
Building	1,800,892	1,882,818
Furniture and equipment	<u>431,019</u>	<u>431,799</u>
Total property and equipment	2,572,463	2,655,169
Accumulated depreciation	<u>(704,840)</u>	<u>(793,213)</u>
Total property and equipment - net	<u>1,867,623</u>	<u>1,861,956</u>
OTHER ASSETS:		
Pledges receivable	790,000	800,000
Other receivables	164,502	250,077
Endowment assets	1,099,641	1,185,310
Deposits	<u>20,976</u>	<u>35,419</u>
Total other assets	<u>2,075,119</u>	<u>2,270,806</u>
Total assets	<u>\$ 22,078,330</u>	<u>\$ 26,482,204</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF JUNE 30, 2013 AND 2014

	2013	2014
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 296,392	\$ 291,087
Line of credit	550,000	480,000
Deferred revenue	<u>62,350</u>	<u>37,095</u>
Total current liabilities	<u>908,742</u>	<u>808,182</u>
NET ASSETS:		
Unrestricted	16,710,872	20,885,121
Temporarily restricted	3,458,716	3,788,901
Permanently restricted	<u>1,000,000</u>	<u>1,000,000</u>
Total net assets	<u>21,169,588</u>	<u>25,674,022</u>
Total liabilities and net assets	<u>\$ 22,078,330</u>	<u>\$ 26,482,204</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support				
Grants and contributions	\$ 1,421,744	\$ -	\$ -	\$ 1,421,744
Contributions for specific projects	-	2,991,448	-	2,991,448
Special events, net of expenses	8,710	244,028	-	252,738
In-kind contributions				
Equipment and supplies	23,983,185	-	-	23,983,185
Leased space	211,080	-	-	211,080
Professional services	108,238	-	-	108,238
Earnings on endowment assets, net	-	120,669	-	120,669
Other income	11,577	-	-	11,577
	<u>25,744,534</u>	<u>3,356,145</u>	<u>-</u>	<u>29,100,679</u>
Net assets released from restrictions	<u>3,025,960</u>	<u>(3,025,960)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>28,770,494</u>	<u>330,185</u>	<u>-</u>	<u>29,100,679</u>
Expenses:				
Program expenses	23,629,060	-	-	23,629,060
Fundraising expenses	530,027	-	-	530,027
General and administrative expenses	437,158	-	-	437,158
Total expenses	<u>24,596,245</u>	<u>-</u>	<u>-</u>	<u>24,596,245</u>
INCREASE IN NET ASSETS	4,174,249	330,185	-	4,504,434
NET ASSETS, BEGINNING OF YEAR	<u>16,710,872</u>	<u>3,458,716</u>	<u>1,000,000</u>	<u>21,169,588</u>
NET ASSETS, END OF YEAR	<u>\$ 20,885,121</u>	<u>\$ 3,788,901</u>	<u>\$ 1,000,000</u>	<u>\$ 25,674,022</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support				
Grants and contributions	\$ 1,170,964	\$ -	\$ -	\$ 1,170,964
Contributions for specific projects	-	3,829,557	-	3,829,557
Special events, net of expenses	-	238,194	-	238,194
In-kind contributions				
Equipment and supplies	22,865,183	-	-	22,865,183
Leased space	217,856	-	-	217,856
Professional services	120,437	-	-	120,437
Earnings on endowment assets, net	-	76,420	-	76,420
Other income	9,512	-	-	9,512
	<u>24,383,952</u>	<u>4,144,171</u>	<u>-</u>	<u>28,528,123</u>
Net assets released from restrictions	<u>2,970,654</u>	<u>(2,970,654)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>27,354,606</u>	<u>1,173,517</u>	<u>-</u>	<u>28,528,123</u>
Expenses:				
Program expenses	22,980,552	-	-	22,980,552
Fundraising expenses	647,595	-	-	647,595
General and administrative expenses	310,813	-	-	310,813
Total expenses	<u>23,938,960</u>	<u>-</u>	<u>-</u>	<u>23,938,960</u>
INCREASE IN NET ASSETS	3,415,646	1,173,517	-	4,589,163
NET ASSETS, BEGINNING OF YEAR	<u>13,295,226</u>	<u>2,285,199</u>	<u>1,000,000</u>	<u>16,580,425</u>
NET ASSETS, END OF YEAR	<u>\$ 16,710,872</u>	<u>\$ 3,458,716</u>	<u>\$ 1,000,000</u>	<u>\$ 21,169,588</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2014

	<u>Program Services</u>	<u>Fundraising</u>	<u>General & Administrative</u>	<u>Total Supporting Services</u>	<u>Total</u>
2014					
Equipment and supplies shipped	\$ 19,868,433	\$ -	\$ -	\$ -	\$ 19,868,433
Personnel	1,813,127	409,523	220,270	629,793	2,442,920
Shipping	753,394	-	-	-	753,394
Occupancy	682,965	26,089	15,834	41,923	724,888
Professional fees	173,219	40,105	189,191	229,296	402,515
Travel	78,801	17,718	1,286	19,004	97,805
Office expenses	96,276	29,204	4,766	33,970	130,246
Depreciation	90,422	2,855	1,904	4,759	95,181
Insurance	47,687	1,465	3,496	4,961	52,648
Other expenses	12,183	143	411	554	12,737
Marketing	12,490	2,925	-	2,925	15,415
Interest	63	-	-	-	63
	<u>23,629,060</u>	<u>530,027</u>	<u>437,158</u>	<u>967,185</u>	<u>24,596,245</u>
Total expenses	<u>\$ 23,629,060</u>	<u>\$ 530,027</u>	<u>\$ 437,158</u>	<u>\$ 967,185</u>	<u>\$ 24,596,245</u>
2013					
Equipment and supplies shipped	\$ 19,176,389	\$ -	\$ -	\$ -	\$ 19,176,389
Personnel	1,853,342	515,681	147,360	663,041	2,516,383
Shipping	760,269	-	-	-	760,269
Occupancy	644,450	13,091	3,146	16,237	660,687
Professional fees	200,030	43,665	150,159	193,824	393,854
Travel	115,560	22,138	1,652	23,790	139,350
Office expenses	66,491	38,750	2,892	41,642	108,133
Depreciation	101,904	3,218	2,145	5,363	107,267
Insurance	47,462	1,024	3,062	4,086	51,548
Other expenses	11,960	3,688	397	4,085	16,045
Marketing	1,790	6,340	-	6,340	8,130
Interest	905	-	-	-	905
	<u>22,980,552</u>	<u>647,595</u>	<u>310,813</u>	<u>958,408</u>	<u>23,938,960</u>
Total expenses	<u>\$ 22,980,552</u>	<u>\$ 647,595</u>	<u>\$ 310,813</u>	<u>\$ 958,408</u>	<u>\$ 23,938,960</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2014

	2013	2014
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets:	\$ 4,589,163	\$ 4,504,434
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	107,267	95,181
Loss on disposal of assets		6,537
Loss (earnings) on endowment assets, net	(76,420)	(120,669)
Decrease (increase) in pledges receivable	(464,000)	213,000
(Increase) in inventory	(3,702,845)	(4,072,439)
Decrease (increase) in prepaid expense	19,922	(10,344)
Decrease (increase) in other current assets	(12,100)	60,878
Increase (decrease) in accounts payable and accrued expenses	85,213	(5,305)
Increase (decrease) in line of credit	150,000	(70,000)
Increase (decrease) in deferred revenue	9,605	(25,255)
(Increase) in deposits	-	(14,443)
	<u>705,805</u>	<u>561,575</u>
Net cash provided by operating activities		
CASH FLOWS (USED BY) INVESTING ACTIVITIES:		
Purchase of property and equipment	(37,204)	(96,051)
(Increase) in other long-term receivable	(83,108)	(85,575)
Proceeds from endowment investments	25,000	35,000
	<u>(95,312)</u>	<u>(146,626)</u>
Net cash (used by) investing activities		
NET INCREASE IN CASH	610,493	414,949
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,015,940</u>	<u>1,896,185</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,626,433</u>	<u>\$ 2,311,134</u>
OTHER SUPPLEMENTAL INFORMATION:		
Interest paid	\$ <u>905</u>	\$ <u>63</u>
Income taxes paid	\$ <u>-</u>	\$ <u>-</u>

NON-CASH TRANSACTIONS:

The Organization received \$21,000 and \$7,595 of donated equipment for 2013 and 2014, respectively.

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2014

Incorporated in December 1998, MedShare International, Inc. (the “Organization”) is dedicated to recycling surplus medical supplies and equipment for use by healthcare institutions primarily in Central America, South America, Asia, Africa and the Caribbean. To achieve this mission, the Organization collects supplies and equipment in the United States that are still valuable but no longer in demand due to procedural excess, technological change, regulatory requirements or production overage. The Organization 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 53,805 square foot warehouse facility in San Leandro, California and a 9,600 square foot warehouse in Secaucus, New Jersey.

Note 1 - Summary of Significant Accounting Principles

The Organization’s Summary of Significant Accounting Policies is presented to assist in understanding its financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the statements’ preparation. The financial statements and notes are representations of the Organization’s management, who are responsible for their integrity and objectivity.

Basis of Accounting and Presentation - The Organization uses the accrual basis of accounting for its revenues and expenses. Information regarding its financial position and activities is presented under three separate net asset classifications: unrestricted, temporarily restricted and permanently restricted net assets.

Cash and Cash Equivalents - Cash and cash equivalents include all highly liquid investments purchased with an initial maturity of three months or less.

Investments - The Organization classifies its endowment investments as available-for-sale securities. These are debt and equity securities with quoted prices available on exchanges (Level 1 inputs). All gains and losses in value are included in the statement of activities.

Pledges Receivable - Contributions are recognized when the donor makes a written pledge to the Organization. Short-term pledges have a term of less than one year. Long-term pledges have a term of from one to five years. The Organization applies the allowance method to determine uncollectible pledges, with Management evaluating the need for an allowance on an annual basis. Based upon that evaluation, no allowance was considered necessary for the years ended June 30, 2013 or 2014, respectively.

Inventory – The Organization values its inventory of in-kind medical supplies and equipment at 50% of the average retail price for the item (or similar items). The average retail price approximates the fair value measurement of the inventory if sold in North America in an orderly transaction between market participants.

Property and Equipment - Purchased property and equipment is carried at cost. Donated property and equipment is carried at approximate fair value at donation date. Expenditures of \$5,000 or more for repairs, maintenance, renewals and betterments which prolong an asset’s useful life beyond 2 years are capitalized. The cost of assets retired or sold and their associated accumulated depreciation are removed from the accounts upon disposition, with any related gain or loss included in income. Depreciation is provided under the straight-line method over each asset’s estimated useful life. Leasehold improvements are amortized over the shorter of the lease’s remaining term or the asset’s estimated useful life. Depreciation and amortization expense for the years ended June 30, 2013 and 2014 was \$107,267 and \$95,181, respectively.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2014

Note 1 - Summary of Significant Accounting Principles (Continued)

Donated Assets, Space and Services - Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation. The value of these in-kind donations was \$32,580 and \$7,595 during the years ended June 30, 2013 and June 30, 2014, respectively.

Donated leased space is recorded as a contribution at its estimated fair value. In the fiscal years ended June 30, 2013 and 2014, the Organization received use of 87,950 square feet of warehouse space with month-to-month terms. The value of this in-kind donation was \$211,080 in both fiscal years. In the fiscal year ended June 30, 2013, the Organization received use of office space in New York City with month-to-month terms which was valued at \$6,776.

Donated services are recognized at fair value as contributions and expenses 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 years ended June 30, 2013 and 2014, 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 did receive professional services meeting these criteria. The value of these services was \$120,437 with 60% supporting programmatic activities and 3% development activities and 37% administrative activities for the year ended June 30, 2013, and \$108,238, with 30% supporting programmatic activities, 1% development activities and 69% administrative activities for the year ended June 30, 2014.

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

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 years ended June 30, 2013 and 2014, the Organization did not have any unrelated business income and, accordingly, no unrelated business income tax. The Financial Accounting Standards Board has issued an Interpretation clarifying when an uncertainty in income taxes should be recognized or disclosed in the Organization's financial statements. The Organization has reviewed its tax positions and has determined that there are no tax uncertainties requiring recognition or disclosure for the years open to potential IRS examination (2011-2014).

Fair Value of Financial Instruments - The Organization's financial instruments include cash, money market funds, pledges and other receivables, endowment assets, accounts payable and accrued expenses, and the line of credit. The carrying value of these instruments approximates fair value due to their relatively short-term nature.

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 affecting the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of 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.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2014

Note 2 – Line of Credit

The Organization has a line of credit with a commercial bank allowing the Organization to borrow up to \$750,000, secured by the Organization’s inventory and renewable annually each October. The interest rate on any borrowing is at prime, with a floor of 4.75%. As of June 30, 2014, the outstanding balance was \$550,000 and the interest rate was 4.75%.

Note 3 – Lease Commitments

The Organization leases its facilities under the terms of non-cancelable leases expiring in March 2017 and April 2018. It also leases equipment expiring in May 2017. Rental expense for the leases in 2013 and 2014 was \$340,898 and \$419,394, respectively. As of June 30, 2014, minimum future rental payments under the non-cancelable operating leases having remaining terms in excess of one year are:

Year Ending June 30,		
2015	\$	425,586
2016		436,418
2017		416,628
2018		<u>298,290</u>
	\$	<u><u>1,576,922</u></u>

Additionally, in-kind rent expense for the donated leased warehouse space was valued at \$211,080 for both years ended June 30, 2013 and 2014.

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised primarily of contributions subject to donor-imposed restrictions and income earned on endowment fund assets. The composition of these assets as of June 30, 2013 and 2014 is:

	<u>2013</u>	<u>2014</u>
Container Sponsorships & Operating Grants	\$ 2,353,982	\$ 2,776,096
Capital Campaign	744,062	500,101
Earnings on endowment fund, net	99,641	171,710
Other	<u>261,061</u>	<u>340,994</u>
Total temporarily restricted net assets	<u>\$ 3,458,716</u>	<u>\$ 3,788,901</u>

Net assets totaling \$2,970,655 and \$3,025,960 were released from donor restrictions during the years ended June 30, 2013 and 2014, respectively.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2014

Note 5 – 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 its headquarters building in Decatur, GA. The endowment consists of this one fund and includes only donor-restricted funds. 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 upon the existence or absence of donor-imposed restrictions. The Organization's endowment net asset composition as of June 30, 2013 and 2014 is as follows:

	<u>2013</u>	<u>2014</u>
Temporarily Restricted	\$ 99,641	\$ 171,710
Permanently Restricted	<u>1,000,000</u>	<u>1,000,000</u>
 Total funds	 <u>\$ 1,099,641</u>	 <u>\$ 1,171,710</u>

The permanently restricted net assets are comprised of \$28,500 of pledges receivable and \$971,500 of funds invested as of June 30, 2013, and \$1,000,000 of funds invested as of June 30, 2014.

Changes in the Organization's endowment for the year ended June 30, 2013 and 2014 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning Balance July 1, 2012	\$ 33,821	\$ 1,000,000	\$ 1,033,821
 Interest and dividends	 20,237	 -	 20,237
Investment gains/losses			
Realized	42,467	-	42,467
Unrealized	23,890	-	23,890
Released	(10,600)	-	(10,600)
Management fees	<u>(10,174)</u>	<u>-</u>	<u>(10,174)</u>
 Ending Balance June 30, 2013	 \$ 99,641	 \$ 1,000,000	 \$ 1,099,641
 Interest and dividends	 26,125	 -	 26,125
Investment gains/losses			
Realized	(3,624)	-	(3,624)
Unrealized	109,315	-	109,315
Released	(48,600)	-	(48,600)
Management fees	<u>(11,147)</u>	<u>-</u>	<u>(11,147)</u>
 Ending Balance June 30, 2014	 <u>\$ 171,710</u>	 <u>\$ 1,000,000</u>	 <u>\$ 1,171,710</u>

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2014

Note 5 – Endowed Net Assets (Continued)

As of June 30, 2013 and 2014, the Organization’s endowment is comprised of the following investments:

	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Fair Value</u>
Available-for-sale equity securities	\$ 607,307	\$ 84,171	\$ 691,478
Available-for-sale debt securities	331,172	(7,848)	323,324
Cash and money market funds	<u>56,339</u>	<u>-</u>	<u>56,339</u>
Ending Balance June 30, 2013	<u>\$ 994,818</u>	<u>\$ 76,323</u>	<u>\$ 1,071,141</u>
Available-for-sale equity securities	\$ 614,031	\$ 184,544	\$ 798,575
Available-for-sale debt securities	331,172	1,093	332,265
Cash and money market funds	<u>48,470</u>	<u>-</u>	<u>48,470</u>
Ending Balance June 30, 2014	<u>\$ 993,673</u>	<u>\$ 185,637</u>	<u>\$ 1,179,310</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 THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2014

Note 5 – 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 in a manner which was intended to maximize the results while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average annual rate of return of approximately 5-7%. 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 which 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 proceeding 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, the Organization expects the current spending policy to allow its endowment to grow over the long-term 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. During the years ended June 30, 2013 and 2014, \$3,600 and \$55,600 were released, respectively, to support building maintenance.

Note 6 – Retirement Plan

The Organization has a retirement savings plan which is qualified under Section 401 of the Internal Revenue Code. Employees are eligible to participate if they are age twenty-one or older and have completed three consecutive full calendar months of employment. Employees can elect salary deferrals to their Plan account up to the legally allowed amount. The Organization can, at its discretion, make contributions on behalf of employees. For the fiscal years ended June 30, 2013 and 2014 the match contribution expense was \$13,162 and \$10,758, respectively.

Note 7 – Concentration of Credit Risks

The Organization maintains its cash at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC-insured limit is \$250,000 per account per financial institution. As of June 30, 2014, one of the Organization's account balances exceeded this insured limit, although the excess was subsequently applied within a few days towards its credit line borrowings. Management believes that the FDIC backing, the quality of the financial institution with which these amounts are deposited and its practice of quickly applying excess cash to other financial institutions minimizes any potential risk of material loss.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2014

Note 8 – Founder’s Welfare Benefit Plan

The Organization sponsors a welfare benefit plan for the benefit of a founder and former key executive which allows the purchase of life insurance to provide post-employment retirement benefits. Each premium or contribution provided by the Organization on behalf of the former executive is treated for tax purposes and financial purposes as a premium loan from the Organization. These premium loans are established as a long-term other receivable on the Organization’s financial statements as required by IRC Section 26 C.F.R. Section 1.7872-15. The receivable is required to be repaid, including cumulative interest at a rate established by the Internal Revenue Service. The Organization holds a permanent and primary interest in the death benefit of a life insurance policy that will provide a full repayment of the accumulated loan receivable at his death.

Note 9 – Subsequent Events

Management has evaluated events and transactions which occurred through October 7, 2014, which was the date the financial statements were available to be issued. As a result of this evaluation, management has determined that no events or transactions are required to be disclosed.