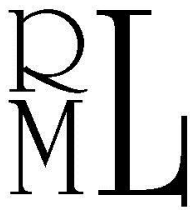


**MEDSHARE INTERNATIONAL, INC.  
AUDITED FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
JUNE 30, 2014 AND 2015**

R. Michael LaBounty & Associates, P.C.  
*Certified Public Accountants*  
2750 Buford Highway, Suite 247  
Atlanta, Georgia 30324

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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, 2014 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based 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, 2014 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*R MICHAEL LaBOUNTY & ASSOCIATES, PC*

Atlanta, Georgia  
October 1, 2015

**MEDSHARE INTERNATIONAL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2014 AND 2015**

	<b>2014</b>	<b>2015</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 118,943	\$ 239,286
Cash - restricted	2,192,191	3,839,496
Pledges receivable - restricted	625,000	200,000
Inventory	19,369,427	14,523,910
Prepaid expenses	35,632	34,038
Prepaid expenses -restricted	-	161,100
Other	8,249	43,671
	<u>22,349,442</u>	<u>19,041,501</u>
Total current assets		
<b>PROPERTY AND EQUIPMENT:</b>		
Land	340,552	340,552
Building	1,882,818	1,882,818
Furniture and equipment	431,799	459,729
	<u>2,655,169</u>	<u>2,683,099</u>
Total property and equipment		
Accumulated depreciation	<u>(793,213)</u>	<u>(882,723)</u>
Total property and equipment - net	<u>1,861,956</u>	<u>1,800,376</u>
<b>OTHER ASSETS:</b>		
Pledges receivable - restricted	800,000	600,000
Other receivables	250,077	341,532
Endowment assets - restricted	1,185,310	1,128,012
Deposits	35,419	40,401
	<u>2,270,806</u>	<u>2,109,945</u>
Total other assets		
Total assets	<u>\$ 26,482,204</u>	<u>\$ 22,951,822</u>

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**MEDSHARE INTERNATIONAL, INC.**  
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS OF JUNE 30, 2014 AND 2015**

	<b>2014</b>	<b>2015</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 291,087	\$ 365,710
Line of credit	480,000	-
Deferred revenue	37,095	-
	<u>808,182</u>	<u>365,710</u>
Total current liabilities		
<b>NET ASSETS:</b>		
Unrestricted	20,885,121	16,657,504
Temporarily restricted	3,788,901	4,928,608
Permanently restricted	1,000,000	1,000,000
	<u>25,674,022</u>	<u>22,586,112</u>
Total net assets		
Total liabilities and net assets	<u>\$ 26,482,204</u>	<u>\$ 22,951,822</u>

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**MEDSHARE INTERNATIONAL, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE &amp; SUPPORT:</b>				
Grants and contributions	\$ 1,667,186	\$ -	\$ -	\$ 1,667,186
Contributions for specific projects	-	4,833,747	-	4,833,747
Special events, net of expenses	444,507	-	-	444,507
In-kind contributions				
Equipment and supplies	15,951,612	-	-	15,951,612
Leased space	87,950	-	-	87,950
Professional services	128,463	-	-	128,463
Earnings on endowment assets, net	-	32,703	-	32,703
Net assets released from restrictions	3,726,743	(3,726,743)	-	-
Other income	23,760	-	-	23,760
	<u>22,030,221</u>	<u>1,139,707</u>	<u>-</u>	<u>23,169,928</u>
<b>EXPENSES:</b>				
Program expenses	24,974,055	-	-	24,974,055
Fundraising expenses	703,029	-	-	703,029
General and administrative expenses	580,754	-	-	580,754
	<u>26,257,838</u>	<u>-</u>	<u>-</u>	<u>26,257,838</u>
(DECREASE) INCREASE IN NET ASSETS	(4,227,617)	1,139,707	-	(3,087,910)
NET ASSETS, BEGINNING OF YEAR	<u>20,885,121</u>	<u>3,788,901</u>	<u>1,000,000</u>	<u>25,674,022</u>
NET ASSETS, END OF YEAR	<u>\$ 16,657,504</u>	<u>\$ 4,928,608</u>	<u>\$ 1,000,000</u>	<u>\$ 22,586,112</u>

SEE INDEPENDENT AUDITORS' REPORT AND 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>
<b>REVENUE &amp; SUPPORT:</b>				
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
Net assets released from restrictions	3,025,960	(3,025,960)	-	-
Other income	11,577	-	-	11,577
	<u>28,770,494</u>	<u>330,185</u>	<u>-</u>	<u>29,100,679</u>
<b>EXPENSES:</b>				
Program expenses	23,629,060	-	-	23,629,060
Fundraising expenses	530,027	-	-	530,027
General and administrative expenses	437,158	-	-	437,158
	<u>24,596,245</u>	<u>-</u>	<u>-</u>	<u>24,596,245</u>
<b>INCREASE IN NET ASSETS</b>	4,174,249	330,185	-	4,504,434
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>16,710,872</u>	<u>3,458,716</u>	<u>1,000,000</u>	<u>21,169,588</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 20,885,121</u>	<u>\$ 3,788,901</u>	<u>\$ 1,000,000</u>	<u>\$ 25,674,022</u>

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS



**MEDSHARE INTERNATIONAL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2015**

	<b>Program expenses</b>	<b>Fundraising expenses</b>	<b>General &amp; Administrative expenses</b>	<b>Total</b>
<b>June 30, 2015</b>				
Equipment and supplies shipped	\$ 20,929,207	\$ -	\$ -	\$ 20,929,207
Personnel	2,063,034	526,861	390,588	2,980,483
Shipping	885,701			885,701
Occupancy	714,448	26,613	16,345	757,406
Professional fees	91,208	15,113	149,235	255,556
Travel	79,485	31,094	291	110,870
Office expenses	72,617	60,617	15,975	149,209
Depreciation	85,035	2,685	1,790	89,510
Insurance	52,911	2,052	5,143	60,106
Marketing	-	35,971	-	35,971
Other expenses	409	2,023	1,387	3,819
Total expenses	<u>\$ 24,974,055</u>	<u>\$ 703,029</u>	<u>\$ 580,754</u>	<u>\$ 26,257,838</u>
<b>June 30, 2014</b>				
Equipment and supplies shipped	\$ 19,868,433	\$ -	\$ -	\$ 19,868,433
Personnel	1,813,127	409,523	220,270	2,442,920
Shipping	753,394	-	-	753,394
Occupancy	682,965	26,089	15,834	724,888
Professional fees	173,219	40,105	189,191	402,515
Travel	78,801	17,718	1,286	97,805
Office expenses	96,276	29,204	4,766	130,246
Depreciation	90,422	2,855	1,904	95,181
Insurance	47,687	1,465	3,496	52,648
Marketing	12,490	2,925	-	15,415
Interest	63	-	-	63
Other expenses	12,183	143	411	12,737
Total expenses	<u>\$ 23,629,060</u>	<u>\$ 530,027</u>	<u>\$ 437,158</u>	<u>\$ 24,596,245</u>

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**MEDSHARE INTERNATIONAL, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2015**

	<b>2014</b>	<b>2015</b>
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets:	\$ 4,504,434	\$ (3,087,909)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	95,181	89,510
Loss on disposal of assets	6,537	-
(Loss) earnings on endowment assets, net	(120,669)	12,297
Decrease in pledges receivable	213,000	625,000
(Increase) decrease in inventory	(4,072,439)	4,845,517
(Increase) in prepaid expense	(10,344)	(159,506)
Decrease (increase) in other current assets	60,878	(35,423)
(Increase) in deposits	(14,443)	(4,982)
(Decrease) increase in accounts payable and accrued expenses	(5,305)	74,623
(Decrease) in line of credit	(70,000)	(480,000)
(Decrease) in deferred revenue	<u>(25,255)</u>	<u>(37,095)</u>
Net cash provided by operating activities	<u>561,575</u>	<u>1,842,032</u>
<b>CASH FLOWS (USED BY) INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(96,051)	(27,929)
(Increase) in other long-term receivable	(85,575)	(91,455)
Proceeds from endowment investments	<u>35,000</u>	<u>45,000</u>
Net cash (used by) investing activities	<u>(146,626)</u>	<u>(74,384)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	414,949	1,767,648
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,896,185</u>	<u>2,311,134</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,311,134</u>	<u>\$ 4,078,782</u>
<b>OTHER SUPPLEMENTAL INFORMATION:</b>		
Interest paid	<u>\$ 63</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

**NON-CASH TRANSACTIONS:**

The Organization received \$7,595 and \$4,500 of donated equipment for 2014 and 2015, respectively.

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**MEDSHARE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2015**

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 A - 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 financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Information regarding its financial position and activities is presented under three separate net asset classifications: unrestricted, temporarily restricted and permanently restricted net assets. Certain reclassifications have been made to the prior years’ financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

**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 and long-term pledges have a term 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 both years ended June 30, 2014 and 2015.

**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, 2014 and 2015 was \$95,181 and \$89,510, respectively.

**MEDSHARE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2015**

**Note A - 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 \$7,595 and \$4,500 during the years ended June 30, 2014 and 2015, respectively.

Donated leased space is recorded as a contribution at its estimated fair value. During the years ended June 30, 2014 and 2015, the Organization received use of 87,950 square feet of warehouse space with month-to-month terms. For the years ended June 30, 2014 and 2015, the value of this in-kind donation was \$211,080 and \$87,950, respectively.

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, 2014 and 2015, 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. During the years ended June 30, 2014 and 2015, the value of these services was \$108,238 and \$128,463, respectively.

**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, 2014 and 2015, 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 (2012-2015).

**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, 2014 AND 2015**

**Note B – Line of Credit**

The Organization has a line of credit with a commercial bank allowing the Organization to borrow up to \$1,000,000, secured by the Organization’s inventory and renewable annually each October. During the years ended June 30, 2014 and 2015, the outstanding balances were \$480,000 and \$0, respectively.

**Note C – Lease Commitments**

The Organization leases its facilities under the terms of non-cancelable leases expiring in March 2017, December 2017, and April 2018. It also leases equipment expiring in May 2017. Rental expense for the years ended June 30, 2014 and 2015 was \$419,394 and \$445,064, respectively. As of June 30, 2015, minimum lease commitments under the non-cancelable operating leases having remaining terms in excess of one year are:

Year Ending June 30,	
2016	493,419
2017	473,629
2018	<u>326,790</u>
	<u>\$ 1,293,838</u>

Additionally, in-kind rental expense for the donated leased warehouse space was valued at \$211,080 and \$87,950 for the years ended June 30, 2014 and 2015, respectively.

**Note D – 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, 2014 and 2015 is:

	<u>2014</u>	<u>2015</u>
Container Sponsorships & Operating Grants	\$ 2,776,096	\$ 3,374,599
Capital Campaign	500,101	0
Disaster Relief	0	421,492
Earnings on endowment fund, net	171,710	128,012
Other	<u>340,994</u>	<u>1,004,505</u>
Total temporarily restricted net assets	<u>\$ 3,788,901</u>	<u>\$ 4,928,608</u>

Net assets totaling \$3,025,960 and \$3,726,743 were released from donor restrictions during the years ended June 30, 2014 and 2015, respectively.

**MEDSHARE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2015**

**Note E – 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, 2014 and 2015 is as follows:

	<u>2014</u>	<u>2015</u>
Temporarily Restricted	\$ 171,710	\$ 128,012
Permanently Restricted	<u>1,000,000</u>	<u>1,000,000</u>
 Total funds	 <u>\$ 1,171,710</u>	 <u>\$ 1,128,012</u>

The permanently restricted net assets are comprised of \$1,000,000 of funds invested as of June 30, 2014 and 2015..

Changes in the Organization’s endowment for the year ended June 30, 2014 and 2015 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning balance July 1, 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	 171,710	 1,000,000	 1,171,710
Interest and dividends	38,567		38,567
Investment gains/losses			
Realized	(12,363)		(12,363)
Unrealized	(27,062)		(27,062)
Released	(31,400)		(31,400)
Management fees	<u>(11,440)</u>	<u>-</u>	<u>(11,440)</u>
 Ending balance June 30, 2015	 <u>\$ 128,012</u>	 <u>\$ 1,000,000</u>	 <u>\$ 1,128,012</u>

**MEDSHARE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2015**

**Note E – Endowed Net Assets (Continued)**

As of June 30, 2014 and 2015, 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	\$ 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>
Available-for-sale equity securities	\$ 699,324	\$ 163,193	\$ 862,517
Available-for-sale debt securities	219,453	(4,619)	214,834
Cash and money market funds	<u>50,661</u>	<u>-</u>	<u>50,661</u>
Ending balance June 30, 2015	<u>\$ 969,438</u>	<u>\$ 158,574</u>	<u>\$ 1,128,012</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, 2014 AND 2015**

**Note E – 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, 2014 and 2015, \$48,600 and \$31,400 were released, respectively, to support building maintenance.

**Note F – 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 aged at 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 years ended June 30, 2014 and 2015 the match contribution expense was \$10,758 and \$7,859, respectively.

**Note G – 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 and 2015, the Organization's balances did exceed these insured limits. Management believes that the FDIC backing and the quality of the financial institution with which these amounts are deposited minimizes any potential risk of material loss.



**MEDSHARE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2015**

**Note H – 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 I – Subsequent Events**

Management has evaluated events and transactions which occurred through October 1, 2015, 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.