

**MEDSHARE INTERNATIONAL, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016 AND 2015**

**MEDSHARE INTERNATIONAL, INC.**  
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**JUNE 30, 2016 AND 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
MedShare International, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of MedShare International, Inc. (the Organization), which comprise the statement of financial position as of June 30, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based upon 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position as of June 30, 2016, 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.

**Prior Period Financial Statements**

The financial statements of MedShare International, Inc. as of June 30, 2015, were audited by other auditors whose report dated October 1, 2015, expressed an unmodified opinion on those statements.

*Warren Averett, LLC*

Atlanta, Georgia  
October 24, 2016

**MEDSHARE INTERNATIONAL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

	<b>ASSETS</b>	
	<b>2016</b>	<b>2015</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,854,659	\$ 4,078,781
Unconditional promises to give, current portion	243,327	200,000
Inventory	12,461,959	14,523,911
Prepaid expenses	190,389	195,138
Other	17,370	43,671
Total current assets	15,767,704	19,041,501
<b>PROPERTY AND EQUIPMENT</b>		
Land	340,552	340,552
Building and improvements	1,895,048	1,882,818
Furniture and equipment	379,499	387,955
Computer software	71,774	71,774
Total property and equipment	2,686,873	2,683,099
Accumulated depreciation	(942,440)	(882,723)
Total property and equipment – net	1,744,433	1,800,376
<b>OTHER ASSETS</b>		
Unconditional promises to give, net of current portion	400,000	600,000
Other receivables	432,558	341,532
Investments	1,130,923	1,128,012
Deposits	56,767	40,401
Total other assets	2,020,248	2,109,945
<b>TOTAL ASSETS</b>	<b>\$ 19,532,385</b>	<b>\$ 22,951,822</b>

See notes to the financial statements.

**MEDSHARE INTERNATIONAL, INC.**  
**STATEMENTS OF FINANCIAL POSITION – CONTINUED**  
**JUNE 30, 2016 AND 2015**

<b>LIABILITIES AND NET ASSETS</b>		
	<b>2016</b>	<b>2015</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 383,359	\$ 365,710
Deferred revenue	151,713	-
Total current liabilities	535,072	365,710
<b>NET ASSETS</b>		
Unrestricted	14,831,725	16,657,504
Temporarily restricted	3,165,588	4,928,608
Permanently restricted	1,000,000	1,000,000
Total net assets	18,997,313	22,586,112
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,532,385</b>	<b>\$ 22,951,822</b>

See notes to the financial statements.

**MEDSHARE INTERNATIONAL, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Grants and contributions	\$ 1,511,557	\$ -	\$ -	\$ 1,511,557
Contributions for specific projects	-	2,572,533	-	2,572,533
Special events, net of expenses	489,465	-	-	489,465
In-kind contributions				
Equipment and supplies	19,790,559	-	-	19,790,559
Professional services	81,819	-	-	81,819
Earnings on investments, net	-	2,910	-	2,910
Other income	23,080	-	-	23,080
Net assets released from restrictions	4,338,463	(4,338,463)	-	-
Total revenue and support	<u>26,234,943</u>	<u>(1,763,020)</u>	<u>-</u>	<u>24,471,923</u>
<b>EXPENSES</b>				
Program expenses	26,598,399	-	-	26,598,399
Fundraising expenses	836,841	-	-	836,841
Management and general expenses	625,482	-	-	625,482
Total expenses	<u>28,060,722</u>	<u>-</u>	<u>-</u>	<u>28,060,722</u>
<b>DECREASE IN NET ASSETS</b>	(1,825,779)	(1,763,020)	-	(3,588,799)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>16,657,504</u>	<u>4,928,608</u>	<u>1,000,000</u>	<u>22,586,112</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 14,831,725</u>	<u>\$ 3,165,588</u>	<u>\$ 1,000,000</u>	<u>\$ 18,997,313</u>

See 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 AND SUPPORT</b>				
Grants and contributions	\$ 1,667,186	\$ -	\$ -	\$ 1,667,186
Contributions for specific projects	-	4,878,747	-	4,878,747
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
Loss on investments, net	-	(12,297)	-	(12,297)
Other income	23,760	-	-	23,760
Net assets released from restrictions	<u>3,726,743</u>	<u>(3,726,743)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<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
Management and general expenses	<u>580,754</u>	<u>-</u>	<u>-</u>	<u>580,754</u>
Total expenses	<u>26,257,838</u>	<u>-</u>	<u>-</u>	<u>26,257,838</u>
<b>(DECREASE) INCREASE IN NET ASSETS</b>	<b>(4,227,617)</b>	<b>1,139,707</b>	<b>-</b>	<b>(3,087,910)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>20,885,121</u>	<u>3,788,901</u>	<u>1,000,000</u>	<u>25,674,022</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$16,657,504</u></u>	<u><u>\$ 4,928,608</u></u>	<u><u>\$1,000,000</u></u>	<u><u>\$22,586,112</u></u>

See notes to the financial statements.



**MEDSHARE INTERNATIONAL, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>Program Services</u>	<u>Fundraising</u>	<u>General &amp; Administrative</u>	<u>Total</u>
<b>Year Ended June 30, 2016</b>				
Equipment and supplies shipped	\$ 22,271,829	\$ -	\$ -	\$ 22,271,829
Personnel	2,263,203	577,981	428,485	3,269,669
Shipping	934,262	-	-	934,262
Occupancy	693,335	25,827	15,862	735,023
Professional fees	86,637	14,356	141,756	242,748
Travel	81,227	31,776	297	113,300
Office expenses	132,177	110,335	29,078	271,589
Depreciation expense	81,213	2,564	1,710	85,487
Insurance	53,607	2,079	5,211	60,897
Marketing	-	67,428	-	67,428
Other expenses	909	4,497	3,083	8,490
Total expenses	<u>\$ 26,598,399</u>	<u>\$ 836,841</u>	<u>\$ 625,482</u>	<u>\$ 28,060,722</u>
<b>Year Ended 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 expense	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>

See notes to the financial statements.

**MEDSHARE INTERNATIONAL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets:	\$ (3,588,799)	\$ (3,087,910)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	85,487	89,510
Realized and unrealized loss on investments, net	10,422	39,424
Decrease in pledges receivable	156,673	625,000
Decrease in inventory	2,061,952	4,845,517
Decrease (increase) in prepaid expense	4,749	(159,506)
Decrease (increase) in other current assets	26,301	(35,423)
Increase in deposits	(16,366)	(37,095)
Increase in other receivable	(91,026)	(91,455)
Increase (decrease) in accounts payable and accrued expenses	17,649	(4,982)
Increase in deferred revenue	151,713	74,623
Net cash (used by) provided by operating activities	<u>(1,181,245)</u>	<u>2,257,703</u>
<b>CASH FLOWS (USED BY) INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(29,545)	(27,929)
(Reinvestment in) proceeds from investments, net	<u>(13,332)</u>	<u>17,873</u>
Net cash (used by) investing activities	<u>(42,877)</u>	<u>(10,056)</u>
<b>CASH FLOWS (USED BY) FINANCING ACTIVITIES</b>		
Decrease in line of credit	<u>-</u>	<u>(480,000)</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	(1,224,122)	1,767,647
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>4,078,781</u>	<u>2,311,134</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,854,659</u>	<u>\$ 4,078,781</u>

See notes to the financial statements.

**MEDSHARE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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## **1. DESCRIPTION OF BUSINESS**

### **Description of Business**

Incorporated in December 1998, MedShare International, Inc. (“MedShare” or the “Organization”) is a 501c(3) humanitarian aid organization dedicated to improving the quality of life of people, communities and our planet by sourcing and directly delivering surplus medical supplies and equipment to communities in need around the world. MedShare helps increase health system capacity and drives sustainability through the Biomedical Equipment Training and Repair Service which provides biomedical equipment training and service to healthcare organizations and medical professionals serving populations in need. Medical supplies are aligned around MedShare’s four programs; Maternal Child Health, Infectious Disease Control and Prevention, Primary Care, and Disaster Relief. MedShare’s deliveries of vital medical supplies and equipment have decreased our nation’s carbon footprint and brought health, healing and the promise of better lives to 97 countries and countless patients.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Accounting**

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. Under FASB ASC 958, the Organization reports 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.

### **Reclassifications**

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 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.

### **Uninsured Cash Balances**

The Organization maintains its cash in bank deposit accounts at financial institutions. Cash accounts are insured by the FDIC up to statutory limits. The Organization’s cash balances periodically exceed the federally insured limit.

### **Inventory**

The Organization values its inventory of donated 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.

**MEDSHARE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Contributions and Unconditional Promises to Give**

Contributions are recorded and presented in accordance with professional standards. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are recorded as received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value which is measured at the present value of the future cash flows with discounts computed using risk-adjusted rates commensurate with the associated risk. Discounts on pledges receivable are amortized and recorded as additional contribution revenue in accordance with any donor-imposed restriction.

The Organization uses the allowance method to determine the uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises received. Since all pledges receivable were deemed to be collectible there is no allowance for doubtful pledges at June 30, 2016 or 2015.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

**Noncash Contributions**

Noncash contributions received and made are recorded at amounts that approximate their fair value at the date received or distributed.

Donated leased space is recorded as a contribution at its estimated fair value. During the year ended June 30, 2015, the Organization received use of 87,950 square feet of warehouse space with month-to-month terms valued at \$87,950. The Organization did not receive donated lease space in the year ended June 30, 2016.

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, 2016 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, 2016 and 2015, the value of these services was \$81,819 and \$128,463, respectively.

**Deferred Revenue**

Deferred revenue represents sponsorships for events to be held in the subsequent year.

**MEDSHARE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Investments**

Investments are carried at fair value in accordance with FASB ASC 958, *Investments – Debt and Equity Securities for Not-for-Profit Organizations*. Under FASB ASC 820, *Fair Value Measurements and Disclosures*, fair value measurements are disclosed by level within the fair value hierarchy.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level II: Valuations based on quoted prices in markets that are not active or based on valuation models for which all significant inputs are observable, either directly or indirectly.

Level III: Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Level III investments include situations where there is little, if any, market activity for the investments. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

All of the Organization's investments are Level I investments.

**Endowment**

In accordance with FASB ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, the Board of Directors determined that all of the Organization's permanently restricted net assets meet the definition of endowment funds under the State Prudent Management of Institutional Funds Act (SPMIFA).

**Property and Equipment**

The Organization capitalizes all expenditures for property, furniture and equipment in excess of \$5,000. Property and equipment are recorded at cost or fair value, if donated, and are depreciated using the straight line method as follows:

Building and improvements	30 years
Furniture and equipment	5 years
Computer software	3 years

Depreciation expense in the amount of \$85,487 and \$89,510 has been charged to operations for the year ended 2016 and 2015, respectively.

**MEDSHARE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Income Taxes**

The Organization is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is classified as an organization which is not a private foundation under Section 509(a) of the U.S. Internal Revenue Code. The Organization qualifies for the charitable contribution deduction.

**Fair Value of Financial Instruments**

Financial instruments, primarily cash and cash equivalents, investments, accounts payable, and the line of credit are reported at values which the Organization believes are not significantly different from fair values. The Organization believes no significant credit risk exists with respect to any of its financial instruments.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**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.

**Events Occurring After Report Date**

Management has evaluated events and transactions that occurred between June 30, 2016 and October 24, 2016, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**3. 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 substantially all of the Organization's assets. The credit line bears interest at the prime rate with a 4.75% floor and matures on February 5, 2017. There were no outstanding balances at June 30, 2016 or 2015.

**MEDSHARE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**4. UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give at June 30, 2016 and 2015 are receivable as follows:

	<u>2016</u>	<u>2015</u>
Year ending June 30,		
2016	\$ -	\$ 200,000
2017	243,327	200,000
2018	200,000	200,000
2019	200,000	200,000
	<u>\$ 643,327</u>	<u>\$ 800,000</u>

**5. INVESTMENTS**

The Organization's investments are valued at quoted market prices in an active market. At June 30, 2016 and 2015 they are comprised of the following:

	<u>2016</u>	<u>2015</u>
Cash	\$ 81,834	\$ 50,661
Common stock	79,490	74,724
Mutual funds – bonds	214,929	214,834
Mutual funds – equities	212,385	299,671
Exchange traded funds	542,285	488,122
Total funds	<u>\$ 1,130,923</u>	<u>\$ 1,128,012</u>

Investment return for the years ended June 30, 2016 and 2015 is comprised of:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 24,234	\$ 38,567
Net realized loss on investments	(17,449)	(12,363)
Unrealized gain (loss) on investments	7,027	(27,061)
Brokerage fees	(10,902)	(11,440)
	<u>\$ 2,910</u>	<u>\$ (12,297)</u>

All investments relate to the Organization's endowment fund. See Note 8.

**MEDSHARE INTERNATIONAL, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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**6. LEASE COMMITMENTS**

The Foundation has obligations under various non-cancelable operating leases for office and warehouse space that expire at various dates through 2018. In most cases, management expects that in the normal course of business, the leases set to expire will be renewed or replaced by other leases. Future minimum lease payments for the years ending June 30 are as follows:

Year ending June 30,		
2017	\$	592,627
2018		390,779

Rent expense under operating leases for the years ended June 30, 2016 and 2015 amounted to approximately \$519,000 and \$445,000, respectively. The lease for office space is subject to escalation based on increases in building operating expenses.

**7. 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, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Container sponsorships and operating grants	\$ 1,901,187	\$ 3,374,599
Disaster relief	245,435	421,492
Earnings on endowment fund, net (restricted for building maintenance)	130,922	128,012
Other	888,044	1,004,505
Total temporarily restricted net assets	<u>\$ 3,165,588</u>	<u>\$ 4,928,608</u>

**8. ENDOWMENT FUND**

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.

**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



**MEDSHARE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**8. ENDOWMENT FUND – CONTINUED**

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

**Investment and Spending 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. 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. 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.

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.

The Organization's endowment net asset composition as of June 30, 2016 and 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2016	\$ -	\$ 130,923	\$ 1,000,000	\$ 1,130,923
June 30, 2015	\$ -	\$ 128,012	\$ 1,000,000	\$ 1,128,012

**MEDSHARE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**8. ENDOWMENT FUND – CONTINUED**

Changes in the Organization’s endowment for the year ended June 30, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Beginning Balance July 1, 2014</b>	\$ -	\$ 171,710	\$ 1,000,000	\$ 1,171,710
Investment income, net	-	14,764	-	14,764
Unrealized loss	-	(27,062)	-	(27,062)
Appropriated for expenditure	-	(31,400)	-	(31,400)
<b>Ending Balance June 30, 2015</b>	-	128,012	1,000,000	1,128,012
Investment loss, net	-	(4,117)	-	(4,117)
Unrealized gain	-	7,028	-	7,028
Appropriated for expenditure	-	-	-	-
<b>Ending Balance June 30, 2016</b>	<u>\$ -</u>	<u>\$ 130,923</u>	<u>\$ 1,000,000</u>	<u>\$ 1,130,923</u>

**9. 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 \$15,163 and \$7,859, respectively.

**10. 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.