

MEDSHARE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

MEDSHARE INTERNATIONAL, INC.
TABLE OF CONTENTS
JUNE 30, 2020 AND 2019

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statement of Activities – 2020	3
Statement of Activities – 2019	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	8



6 Concourse Parkway, Suite 600
Atlanta, GA 30328-5351
770.396.1100
warrenaverett.com

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 statements of financial position as of June 30, 2020 and 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based upon our audits. We conducted our audits 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 of MedShare International, Inc. as of June 30, 2020 and 2019, 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.

Warren Averett, LLC

Atlanta, Georgia
January 29, 2021

MEDSHARE INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS		
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,843,682	\$ 1,489,084
Unconditional promises to give, current portion	200,000	50,000
Other receivables	12,812	139,719
Inventory	15,865,888	17,124,354
Prepaid expenses	116,031	127,354
Other current assets	58,815	52,178
Total current assets	20,097,228	18,982,689
PROPERTY AND EQUIPMENT		
Land	340,552	340,552
Building and improvements	1,932,048	1,932,048
Furniture and equipment	625,998	565,764
Computer software	71,774	71,774
Total property and equipment	2,970,372	2,910,138
Accumulated depreciation	(1,329,706)	(1,215,787)
Total property and equipment – net	1,640,666	1,694,351
OTHER ASSETS		
Unconditional promises to give, net of current portion	-	50,000
Other receivables	700,156	699,193
Investments	1,183,346	1,234,954
Other assets	35,419	136,724
Total other assets	1,918,921	2,120,871
TOTAL ASSETS	\$ 23,656,815	\$ 22,797,911
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 350,291	\$ 409,001
Deferred revenue	-	53,550
Deferred revenue – PPP grant	553,850	-
Total current liabilities	904,141	462,551
NET ASSETS		
Without donor restrictions	19,169,506	19,316,800
With donor restrictions		
Restricted by purpose or time	2,583,168	2,018,560
Restricted in perpetuity	1,000,000	1,000,000
Total with donor restrictions	3,583,168	3,018,560
Total net assets	22,752,674	22,335,360
TOTAL LIABILITIES AND NET ASSETS	\$ 23,656,815	\$ 22,797,911

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(with comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND SUPPORT				
Grants and contributions	\$ 4,693,471	\$ -	\$ 4,693,471	\$ 2,711,334
Contributions for specific projects	-	2,461,319	2,461,319	2,761,824
Special events, net of direct expenses	394,506	-	394,506	413,726
In-kind contributions				
Equipment and supplies	15,400,762	-	15,400,762	18,703,355
Contributions received in IMEC acquisition	-	-	-	2,591,737
Professional services	3,579	-	3,579	129,204
Earnings on investments, net	-	5,079	5,079	51,935
Other income	9,323	-	9,323	4,522
Net assets released from restrictions	1,901,790	(1,901,790)	-	-
TOTAL REVENUE AND SUPPORT	22,403,431	564,608	22,968,039	27,367,637
EXPENSES				
Program expenses	20,766,629	-	20,766,629	21,595,296
Fundraising expenses	1,068,613	-	1,068,613	1,125,291
Management and general expenses	715,483	-	715,483	754,029
TOTAL EXPENSES	22,550,725	-	22,550,725	23,474,616
(DECREASE) INCREASE IN NET ASSETS	(147,294)	564,608	417,314	3,893,021
NET ASSETS AT:				
BEGINNING OF YEAR	19,316,800	3,018,560	22,335,360	18,442,339
END OF YEAR	\$ 19,169,506	\$ 3,583,168	\$ 22,752,674	\$ 22,335,360

See notes to the financial statements.

**MEDSHARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 2,711,334	\$ -	\$ 2,711,334
Contributions for specific projects	-	2,761,824	2,761,824
Special events, net of expenses	413,726	-	413,726
In-kind contributions			
Equipment and supplies	18,703,355	-	18,703,355
Contributions received in			
IMEC acquisition	2,591,737	-	2,591,737
Professional services	129,204	-	129,204
Earnings on investments, net	-	51,935	51,935
Other income	4,522	-	4,522
Net assets released from restrictions	2,888,850	(2,888,850)	-
TOTAL REVENUE AND SUPPORT	<u>27,442,728</u>	<u>(75,091)</u>	<u>27,367,637</u>
EXPENSES			
Program expenses	21,595,296	-	21,595,296
Fundraising expenses	1,125,291	-	1,125,291
Management and general expenses	754,029	-	754,029
TOTAL EXPENSES	<u>23,474,616</u>	<u>-</u>	<u>23,474,616</u>
INCREASE (DECREASE) IN NET ASSETS	3,968,112	(75,091)	3,893,021
NET ASSETS AT:			
BEGINNING OF YEAR	<u>15,348,688</u>	<u>3,093,651</u>	<u>18,442,339</u>
END OF YEAR	<u>\$ 19,316,800</u>	<u>\$ 3,018,560</u>	<u>\$ 22,335,360</u>

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Program Services	Fundraising	General and Administrative	Total
Year Ended June 30, 2020				
Equipment and supplies shipped	\$ 16,560,519	\$ -	\$ -	\$ 16,560,519
Personnel	2,021,692	842,372	505,423	3,369,487
Shipping	1,006,612	-	-	1,006,612
Occupancy	803,280	25,637	25,637	854,554
Office expenses	63,448	104,935	78,773	247,156
Professional fees	50,456	51,494	72,384	174,334
Depreciation	113,919	-	-	113,919
Travel	68,959	17,789	23,123	109,871
Insurance	71,517	1,548	5,676	78,741
Marketing	1,598	23,791	-	25,389
Other expenses	4,629	1,047	4,467	10,143
Total expenses	<u>\$ 20,766,629</u>	<u>\$ 1,068,613</u>	<u>\$ 715,483</u>	<u>\$ 22,550,725</u>
	Program Services	Fundraising	General and Administrative	Total
Year Ended June 30, 2019				
Equipment and supplies shipped	\$ 17,120,674	\$ -	\$ -	\$ 17,120,674
Personnel	2,009,696	837,374	502,424	3,349,494
Shipping	1,202,253	-	-	1,202,253
Occupancy	778,031	24,831	24,831	827,693
Office expenses	61,789	87,932	87,932	237,653
Professional fees	114,450	53,410	86,474	254,334
Depreciation	104,785	3,344	3,344	111,473
Travel	123,537	48,042	-	171,579
Insurance	58,857	2,616	3,924	65,397
Marketing	-	67,742	-	67,742
Other expenses	21,224	-	45,100	66,324
Total expenses	<u>\$ 21,595,296</u>	<u>\$ 1,125,291</u>	<u>\$ 754,029</u>	<u>\$ 23,474,616</u>

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS USED IN OPERATING ACTIVITIES		
Change in net assets:	\$ 417,314	\$ 3,893,021
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	113,919	111,473
Realized and unrealized loss (gain) on investments, net	15,583	(36,913)
Decrease (increase) in inventory – donated	1,286,650	(4,144,371)
Change in assets and liabilities:		
(Increase) decrease in unconditional promises to give	(100,000)	100,000
Decrease (increase) in other receivable	126,907	(48,632)
(Increase) decrease in inventory – purchased	(28,184)	16,931
Decrease in prepaid expense	11,323	31,598
Decrease in other assets	94,668	48,330
Increase in other receivable	(963)	(81,585)
(Decrease) increase in accounts payable and accrued expenses	(58,710)	78,507
Decrease in deferred revenue	(53,550)	(1,700)
Increase in deferred revenue – PPP grant	553,850	-
Net cash provided by (used in) operating activities	<u>2,378,807</u>	<u>(33,341)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property and equipment	(60,234)	-
Acquisition of IMEC	-	(221,449)
Distributions from investments	38,000	-
Reinvestment in investments	(1,975)	(15,022)
Net cash used in investing activities	<u>(24,209)</u>	<u>(236,471)</u>

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS – CONTINUED
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 2,354,598	\$ (269,812)
CASH AND CASH EQUIVALENTS AT:		
BEGINNING OF YEAR	1,489,084	1,758,896
END OF YEAR	\$ 3,843,682	\$ 1,489,084
 SUPPLEMENTAL NONCASH INVESTING ACTIVITIES		
Acquisition of IMEC		
Assets acquired at fair value		
Inventory	\$ -	\$ 2,792,348
Furniture	-	20,838
	-	2,813,186
Less acquisition costs		
Purchase price	-	185,000
Shipping costs	-	36,449
	-	221,449
Cash expended	-	221,449
Net assets contributed	\$ -	\$ 2,591,737

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 by providing biomedical equipment training and service to health care organizations and medical professionals serving populations in need. MedShare's efforts to examine and address global health disparities are reflected by our four programs and one service: Disaster Relief Program, Primary Care Program, Maternal & Child Health Program, Infectious Disease Control & Prevention Program, and Biomedical Equipment Training & Repair Service. Focusing on these areas increases health systems capacity to treat patients and prepares them to respond effectively to natural disasters and epidemics, all while improving the overall quality of care in the developing world. 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 100 countries and countless patients.

On December 20, 2018, MedShare entered into an asset transfer agreement to assume and acquire substantially all of the assets of International Medical Equipment Collaborative of America (IMEC), a charitable organization. Following the acquisition, IMEC effected a corporate dissolution. (See Note 3).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) superseding the guidance in former Accounting Standards Codification (ASC) 605, *Revenue Recognition*. It requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted the guidance on July 1, 2019. The adoption did not have a material impact on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958): Clarifying the scope and the accounting guidance for contributions received and contributions made. This ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes one or more barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The ASU became effective for the year ended June 30, 2020 and was adopted on a modified prospective basis. The Organization has elected the simultaneous release policy for federal and other reimbursement-based grants available under ASU 2018-08, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restriction if the restriction is met in the same period that the revenue is recognized.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

As discussed in Note 13, the Organization's adoption of ASU 2018-08 permitted recognition of Paycheck Protection Program (PPP) loan proceeds, totaling approximately \$554,000, as deferred revenue in the year ended June 30, 2020.

Basis of 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 at year-end. Net assets, revenues, expenses, gains and losses are recorded based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are available for use in general operations and results from revenues that were not restricted by donors or the donor-imposed restrictions have expired.

With Donor Restrictions – Net assets that result from contributions and other inflows of assets (such as investment income and gains) whose use by MedShare is limited by donor-imposed stipulations that require MedShare to use or expend the donated assets as specified and are satisfied either by the passage of time or the actions of MedShare. This category also results from contributions and other inflows of assets whose use by MedShare is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Board pursuant to those stipulations.

Cash and Cash Equivalents

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

Concentrations and Credit and Market Risk

The Organization maintains its cash in bank deposit accounts at financial institutions. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to statutory limits. The Organization's cash balances periodically exceed the federally insured limit.

One donor represents 100% of the balance of pledges receivable at June 30, 2020 and 2019. There were no contribution concentrations for the years ended June 30, 2020 and 2019.

Contributions and Unconditional Promises to Give

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.

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 pledge's receivable were deemed to be collectible there is no allowance for doubtful pledges at June 30, 2020 or 2019.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donor-restricted contributions are reported as increases in net assets with or without donor restrictions depending on the nature of the restrictions. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without restrictions.

Noncash Contributions

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

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, 2020 and 2019, 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, 2020 and 2019, the value of these services was approximately \$4,000 and \$129,000, respectively.

Inventory

The Organization values its inventory of donated medical supplies at 50% of the average wholesale price for the item (or similar items). The average wholesale price approximates the fair value measurement of the inventory if sold in North America in an orderly transaction between market participants. Through June 30, 2018, the Organization valued its inventory of donated biomedical equipment using the same methodology.

During the year ended June 30, 2019 the Organization entered into an asset transfer agreement with IMEC. The majority of the IMEC inventory was biomedical equipment. Due to the increase in biomedical equipment, the variation in its age and condition as well as the demand for the equipment, the Organization refined its valuation methodology for the biomedical equipment portion of inventory. The value is based on average wholesale price as described above. However, the price is not discounted by 50% because MedShare's biomedical team believes that the average price considers the range of ages and conditions of equipment that is donated. The Organization believes that this measurement is more reflective of actual fair value. The impact of the change in estimate during the year ended June 30, 2019 was an increase in change in net assets of approximately \$1,700,000.

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 \$113,919 and \$111,473 have been charged to operations for the years ended 2020 and 2019, respectively.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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.

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that MedShare has the ability to access at the measurement date.
- Level 2 – 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 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

All of the Organization's investments are Level 1 investments and are U.S. investments.

Deferred Revenue

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

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and is classified as an organization which is not a private foundation under Section 509(a) of the IRC. 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 statements of activities. Accordingly, personnel, travel and insurance costs have been allocated among the programs and supporting services benefited based on time and effort of the personnel. Depreciation and occupancy costs have been allocated based on square footage.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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
JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases*, to increase transparency and improve comparability by requiring entities to recognize assets and liabilities on the balance sheets for all leases, with certain exceptions. In addition, through improved disclosure requirements, the standard update will enable users of financial statements to further understand the amount, timing and uncertainty of cash flows arising from leases. The new guidance will be effective for the Organization for the fiscal year ended June 30, 2023; however, early adoption is permitted. Entities are allowed to apply the modified retrospective approach: (1) retrospectively to each prior reporting period presented in the financial statements with the cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented; or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. Management is currently evaluating the impact of adopting ASU 2016-02 on the Organization's financial position, results of activities, cash flows and related disclosures.

Events Occurring After Report Date

Management has evaluated events and transactions that occurred between June 30, 2020 and January 29, 2021, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

3. IMEC ACQUISITION

On December 20, 2018, MedShare entered into an asset transfer agreement to acquire substantially all of the assets of IMEC. The acquired assets consisted of used medical equipment and medical supplies and furniture. The acquisition price totaled \$185,000. Additionally, MedShare incurred costs of \$36,449 to transport the acquired assets to various MedShare storage facilities. The fair value of the acquired assets in excess of the acquisition cost was recognized as a contribution in the accompanying statements of activities.

4. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2020 and 2019 are receivable as follows:

	<u>2020</u>	<u>2019</u>
<u>For the Year Ending June 30:</u>		
2020	\$ -	\$ 50,000
2021	200,000	50,000
	<u>\$ 200,000</u>	<u>\$ 100,000</u>

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

5. INVESTMENTS

The Organization's endowment fund investments, (See Note 8) are comprised of the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 9,920	\$ 42,036
Common stock	32,310	50,948
Mutual funds – bonds	263,318	352,230
Mutual funds – equities	215,458	189,882
Exchange traded funds	662,340	599,858
Total investments	<u>\$ 1,183,346</u>	<u>\$ 1,234,954</u>

Investment return for the years ended June 30, 2020 and 2019 is comprised of:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 32,365	\$ 26,683
Unrealized (loss) gain on investments	(15,583)	36,913
Brokerage fees	(11,703)	(11,661)
	<u>\$ 5,079</u>	<u>\$ 51,935</u>

6. LEASE COMMITMENTS

The Organization has obligations under various non-cancelable operating leases for office and warehouse space that expire at various dates through 2024. 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:

For the Year Ending June 30:

2020	\$ 640,073
2021	662,986
2022	589,645
2023	129,415
2024	99,229

Rent expense under operating leases for the years ended June 30, 2020 and 2019 amounted to approximately \$614,000 and \$590,000, respectively. The lease for office space is subject to escalation based on increases in building operating expenses.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

7. NET ASSETS RESTRICTIONS

Net assets with donor restrictions 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, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Container sponsorships and operating grants	\$ 2,161,254	\$ 1,677,738
Other	238,568	124,555
Subject to spending policy and appropriation:		
Accumulated gains on endowment (restricted for building maintenance)	183,346	216,267
Endowment restricted in perpetuity	<u>1,000,000</u>	<u>1,000,000</u>
Total net assets with donor restrictions	<u>\$ 3,583,168</u>	<u>\$ 3,018,560</u>

Net assets with donor restrictions released from restrictions during the years ended June 30, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Container sponsorships and operating grants	\$ 1,611,384	\$ 2,475,816
Disaster relief	97,710	200,625
Building maintenance	38,000	18,687
Other	<u>154,696</u>	<u>193,722</u>
	<u>\$ 1,901,790</u>	<u>\$ 2,888,850</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, Georgia.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

8. ENDOWMENT FUND – CONTINUED

Interpretation of Relevant Law

The Organization has interpreted the Georgia Prudent Management of Institutional Funds Act (GPMIFA) 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 net assets restricted in perpetuity (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 net assets restricted in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by GPMIFA. In accordance with GPMIFA, 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 (the Board) 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, 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 up 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.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

8. ENDOWMENT FUND – CONTINUED

The Organization’s endowment net asset composition as of June 30, 2020 and 2019 is as follows:

	<u>Original Gift Amount</u>	<u>Accumulated Gains (Losses) and Other</u>	<u>Total Funds</u>
June 30, 2020	\$ 1,000,000	\$ 183,346	\$ 1,183,346
June 30, 2019	\$ 1,000,000	\$ 216,267	\$ 1,216,267

Changes in the Organization’s endowment for the year ended June 30, 2020 and 2019 are as follows:

	<u>Original Gift Amount</u>	<u>Accumulated Gains (Losses) and Other</u>	<u>Total Funds</u>
Beginning Balance at July 1, 2018	\$ 1,000,000	\$ 183,019	\$ 1,183,019
Investment loss, net	-	15,022	15,022
Unrealized gain	-	36,913	36,913
Appropriated for expenditure	-	(18,687)	(18,687)
Ending Balance at June 30, 2019	1,000,000	216,267	1,216,267
Investment gain, net	-	20,662	20,662
Unrealized loss	-	(15,583)	(15,583)
Appropriated for expenditure	-	(38,000)	(38,000)
Ending Balance at June 30, 2020	<u>\$ 1,000,000</u>	<u>\$ 183,346</u>	<u>\$ 1,183,346</u>

9. 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 bore interest at the prime rate with a 4.50% floor and matured on March 21, 2020. The line of credit was renewed and extended to May 18, 2022 bearing interest at the prime rate with a 3.00% floor. There were no outstanding balances at June 30, 2020 and 2019.

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 totaling \$700,156 and \$699,193 at June 30, 2020 and 2019, respectively, are established as allowed by IRC Section 26 CFR Section 1.7872-15 and are included as a receivable on the Organization’s statements of financial position. 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.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

11. RETIREMENT PLAN

The Organization has a retirement savings plan which is qualified under Section 401 of the IRC. 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, 2020 and 2019 the match contribution expense was \$22,793 and \$20,700, respectively.

12. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one-year, perpetual endowments and accumulated earnings net of appropriations within one year or because the governing board has set aside the funds for specific contingency reserves and projects or a long-term investment as board designated endowments.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,843,682	\$ 1,489,084
Unconditional promises to give, current portion	200,000	50,000
Other receivables	12,812	139,719
Investments	<u>1,183,346</u>	<u>1,234,954</u>
Financial assets, at year end	<u>5,239,840</u>	<u>2,913,757</u>
Less: Assets unavailable for general expenditures within one year due to:		
Donor-imposed restrictions	2,583,168	2,018,560
Perpetual endowment	1,000,000	1,000,000
Adjusted for: long-term promises to give	-	(50,000)
Total financial assets unavailable for general expenditure within one year	<u>3,583,168</u>	<u>2,968,560</u>
Financial assets available to meet cash needs for general expenditures within one year	1,656,672	(54,803)
Liquidity resources		
Bank line of credit (undrawn)	<u>1,000,000</u>	<u>1,000,000</u>
Total financial asset and liquidity resources available within one year	<u>\$ 2,656,672</u>	<u>\$ 945,197</u>

The Organization is supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to donors. Therefore, certain financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Additionally, the Organization has a line of credit that can be used to cover expenses as needed.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

13. CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES ACT)

On March 27, 2020 in response to the pandemic, the President signed into law the Coronavirus Aid, Relief and Economic Security Act (CARES). In the weeks that followed, The Organization applied for and received a \$553,850 PPP loan granted by the Small Business Administration. The Organization has elected to account for the PPP loan as a conditional contribution in accordance with the guidance provided by FASB ASU 2018-08 *Not-for-Profit Entities (Topic 958)*. Under the guidance, a conditional contribution includes one or more barriers that must be overcome for the recipient to be entitled to the assets transferred and a right-of-return of the asset if a barrier to entitlement is not met. The barriers for a PPP loan require that qualifying expenses must be incurred (compensation, mortgage interest, rent and utilities) and that the recipient maintains employee headcount and compensation levels at pre-established levels. If these barriers are not met, the recipient will be required to repay the loan over a specified period of time.

At June 30, 2020, the Organization believes it will meet the conditions of the grant and that substantially all of the loan will be ultimately forgiven. However, if a portion of the loan must be repaid, the terms (1% per annum, repayable over a maximum of five years with a six-month deferral period) are such that the Organization has sufficient liquidity to repay the unforgiven portion.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, the Organization is uncertain as to the full magnitude that the pandemic will have on its financial condition, liquidity, and future results of operations. The Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, however, the Organization is actively monitoring the impact of the global situation.