

MEDSHARE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

MEDSHARE INTERNATIONAL, INC.
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JUNE 30, 2021 AND 2020

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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 statements of financial position as of June 30, 2021 and 2020, 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 on 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, 2021 and 2020, 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 28, 2022

MEDSHARE INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS		
	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,695,096	\$ 3,843,682
Unconditional promises to give, current portion	335,000	200,000
Other receivables	44,050	12,812
Inventory	21,318,823	15,865,888
Prepaid expenses	89,235	116,031
Other current assets	-	58,815
Total current assets	25,482,204	20,097,228
PROPERTY AND EQUIPMENT		
Land	340,552	340,552
Building and improvements	1,932,048	1,932,048
Furniture and equipment	625,998	625,998
Computer software	71,774	71,774
Total property and equipment	2,970,372	2,970,372
Accumulated depreciation	(1,447,178)	(1,329,706)
Total property and equipment – net	1,523,194	1,640,666
OTHER ASSETS		
Unconditional promises to give, net of current portion	40,000	-
Other receivables	700,981	700,156
Investments	1,401,765	1,183,346
Other assets	35,419	35,419
Total other assets	2,178,165	1,918,921
TOTAL ASSETS	\$ 29,183,563	\$ 23,656,815
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 404,265	\$ 350,291
Deferred revenue – PPP grant	-	553,850
Total current liabilities	404,265	904,141
NET ASSETS		
Without donor restrictions	25,449,404	19,169,506
With donor restrictions		
Restricted by purpose or time	2,329,894	2,583,168
Restricted in perpetuity	1,000,000	1,000,000
Total with donor restrictions	3,329,894	3,583,168
Total net assets	28,779,298	22,752,674
TOTAL LIABILITIES AND NET ASSETS	\$ 29,183,563	\$ 23,656,815

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(with comparative totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND SUPPORT				
Grants and contributions	\$ 3,825,411	\$ -	\$ 3,825,411	\$ 4,693,471
Contributions for specific projects	-	1,485,701	1,485,701	2,461,319
Federal CARES Act – PPP grant	553,850	-	553,850	-
Special events, net of direct expenses	153,567	-	153,567	394,506
In-kind contributions				
Equipment and supplies	22,892,161	-	22,892,161	15,400,762
Professional services	83,365	-	83,365	3,579
Earnings on investments, net	-	256,419	256,419	5,079
Other income	1,683	-	1,683	9,323
Net assets released from restrictions	1,995,394	(1,995,394)	-	-
TOTAL REVENUE AND SUPPORT	29,505,431	(253,274)	29,252,157	22,968,039
EXPENSES				
Program expenses	21,430,899	-	21,430,899	20,766,629
Fundraising expenses	937,984	-	937,984	1,068,613
Management and general expenses	856,650	-	856,650	715,483
TOTAL EXPENSES	23,225,533	-	23,225,533	22,550,725
INCREASE (DECREASE) IN NET ASSETS	6,279,898	(253,274)	6,026,624	417,314
NET ASSETS AT:				
BEGINNING OF YEAR	19,169,506	3,583,168	22,752,674	22,335,360
END OF YEAR	\$ 25,449,404	\$ 3,329,894	\$ 28,779,298	\$ 22,752,674

See notes to the financial statements.

**MEDSHARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 4,693,471	\$ -	\$ 4,693,471
Contributions for specific projects	-	2,461,319	2,461,319
Special events, net of expenses	394,506	-	394,506
In-kind contributions			
Equipment and supplies	15,400,762	-	15,400,762
Professional services	3,579	-	3,579
Earnings on investments, net	-	5,079	5,079
Other income	9,323	-	9,323
Net assets released from restrictions	1,901,790	(1,901,790)	-
TOTAL REVENUE AND SUPPORT	<u>22,403,431</u>	<u>564,608</u>	<u>22,968,039</u>
EXPENSES			
Program expenses	20,766,629	-	20,766,629
Fundraising expenses	1,068,613	-	1,068,613
Management and general expenses	715,483	-	715,483
TOTAL EXPENSES	<u>22,550,725</u>	<u>-</u>	<u>22,550,725</u>
(DECREASE) INCREASE IN NET ASSETS	(147,294)	564,608	417,314
NET ASSETS AT:			
BEGINNING OF YEAR	<u>19,316,800</u>	<u>3,018,560</u>	<u>22,335,360</u>
END OF YEAR	<u>\$ 19,169,506</u>	<u>\$ 3,583,168</u>	<u>\$ 22,752,674</u>

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Program Services	Fundraising	General and Administrative	Total
Year Ended June 30, 2021				
Equipment and supplies shipped	\$ 17,464,494	\$ -	\$ -	\$ 17,464,494
Personnel	2,015,542	763,255	581,720	3,360,517
Shipping	731,564	-	-	731,564
Occupancy	827,292	26,403	28,862	882,557
Office expenses	56,047	86,820	138,904	281,771
Professional fees	133,212	39,225	91,167	263,604
Depreciation	117,472	-	-	117,472
Travel	7,289	297	4,787	12,373
Insurance	75,873	461	10,108	86,442
Marketing	200	21,224	324	21,748
Other expenses	1,914	299	778	2,991
Total expenses	<u>\$ 21,430,899</u>	<u>\$ 937,984</u>	<u>\$ 856,650</u>	<u>\$ 23,225,533</u>
	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>

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS USED IN OPERATING ACTIVITIES		
Change in net assets:	\$ 6,026,624	\$ 417,314
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	117,472	113,919
Realized and unrealized (gain) loss on investments, net	(239,760)	15,583
(Increase) decrease in inventory – donated	(5,474,110)	1,286,650
Change in assets and liabilities:		
Increase in unconditional promises to give	(175,000)	(100,000)
(Increase) decrease in other receivable	(31,238)	126,907
Increase in inventory – purchased	21,175	(28,184)
Decrease in prepaid expense	26,796	11,323
Decrease in other assets	58,815	94,668
Increase in other receivable	(825)	(963)
Increase (decrease) in accounts payable and accrued expenses	53,974	(58,710)
Decrease in deferred revenue	-	(53,550)
(Decrease) increase in deferred revenue – PPP grant	(553,850)	553,850
Net cash (used in) provided by operating activities	<u>(169,927)</u>	<u>2,378,807</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property and equipment	-	(60,234)
Distributions from investments	38,000	38,000
Reinvestment in investments	(16,659)	(1,975)
Net cash provided by (used in) investing activities	<u>21,341</u>	<u>(24,209)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(148,586)	2,354,598
CASH AND CASH EQUIVALENTS AT:		
BEGINNING OF YEAR	<u>3,843,682</u>	<u>1,489,084</u>
END OF YEAR	<u><u>\$ 3,695,096</u></u>	<u><u>\$ 3,843,682</u></u>

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Therefore, 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.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Two donors represent 100% of the balance of unconditional promises to give at June 30, 2021. One donor represents 100% of the balance of unconditional promises to give at June 30, 2020.

For the year ended June 30, 2021 approximately 16% of contributions received were attributable to one donor. There were no contribution concentrations for the year ended June 30, 2020.

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 unconditional promises to give were deemed to be collectible there is no allowance for doubtful promises to give at June 30, 2021 or 2020.

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, 2021 and 2020, 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, 2021 and 2020, the value of these services was approximately \$83,000 and \$4,000, 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 Organization values donated biomedical equipment based on average wholesale prices. 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 average wholesale 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
JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 \$117,472 and \$113,919 has been charged to operations for the years ended 2021 and 2020, respectively.

Investments

Investments are carried at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (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.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Recently Issued Accounting Standards

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*, increasing transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. The amendments in this update are effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the effects that the provisions of ASU No. 2016-02 will have on the Organization's financial statements.

Events Occurring After Report Date

Management has evaluated events and transactions that occurred between June 30, 2021 and January 28, 2022, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2021 and 2020 are receivable as follows:

	<u>2021</u>	<u>2020</u>
<u>For the Year Ending June 30:</u>		
2021	\$ -	\$ 200,000
2022	335,000	-
2023	40,000	-
	<u>\$ 375,000</u>	<u>\$ 200,000</u>

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

4. INVESTMENTS

The Organization's endowment fund investments, (See Note 7) are comprised of the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 15,914	\$ 9,920
Common stock	36,130	32,310
Mutual funds – bonds	273,220	263,318
Mutual funds – equities	246,055	215,458
Exchange traded funds – bonds	258,109	124,121
Exchange traded funds – equities	<u>572,337</u>	<u>538,219</u>
Total investments	<u>\$ 1,401,765</u>	<u>\$ 1,183,346</u>

Investment return for the years ended June 30, 2021 and 2020 is comprised of:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 29,125	\$ 32,365
Unrealized gain (loss) on investments	239,760	(15,583)
Brokerage fees	<u>(12,466)</u>	<u>(11,703)</u>
	<u>\$ 256,419</u>	<u>\$ 5,079</u>

5. LEASE COMMITMENTS

The Organization has obligations under various non-cancelable operating leases for office and warehouse space that expire at various dates through 2025. 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:

2022	\$ 662,986
2023	589,645
2024	129,415
2025	99,229

Rent expense under operating leases for the years ended June 30, 2021 and 2020 amounted to approximately \$640,000 and \$614,000, 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, 2021 AND 2020

6. 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, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Container sponsorships and operating grants	\$ 1,402,668	\$ 2,161,254
Other	525,461	238,568
Subject to spending policy and appropriation:		
Accumulated gains on endowment (restricted for building maintenance)	401,765	183,346
Endowment restricted in perpetuity	<u>1,000,000</u>	<u>1,000,000</u>
Total net assets with donor restrictions	<u>\$ 3,329,894</u>	<u>\$ 3,583,168</u>

Net assets with donor restrictions released from restrictions during the years ended June 30, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Container sponsorships and operating grants	\$ 1,644,030	\$ 1,611,384
Disaster relief	22,159	97,710
Building maintenance	38,000	38,000
Other	<u>291,205</u>	<u>154,696</u>
	<u>\$ 1,995,394</u>	<u>\$ 1,901,790</u>

7. 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, 2021 AND 2020

7. 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, 2021 AND 2020

7. ENDOWMENT FUND – CONTINUED

The Organization’s endowment net asset composition as of June 30, 2021 and 2020 is as follows:

	<u>Original Gift Amount</u>	<u>Accumulated Gains (Losses) and Other</u>	<u>Total Funds</u>
June 30, 2021	\$ 1,000,000	\$ 401,765	\$ 1,401,765
June 30, 2020	\$ 1,000,000	\$ 183,346	\$ 1,183,346

Changes in the Organization’s endowment for the year ended June 30, 2021 and 2020 are as follows:

	<u>Original Gift Amount</u>	<u>Accumulated Gains (Losses) and Other</u>	<u>Total Funds</u>
Beginning Balance July 1, 2019	\$ 1,000,000	\$ 216,267	\$ 1,216,267
Investment loss, net	-	20,662	20,662
Unrealized loss	-	(15,583)	(15,583)
Appropriated for expenditure	-	(38,000)	(38,000)
Ending Balance June 30, 2020	1,000,000	183,346	1,183,346
Investment gain, net	-	16,659	16,659
Unrealized gain	-	239,760	239,760
Appropriated for expenditure	-	(38,000)	(38,000)
Ending Balance at June 30, 2021	\$ 1,000,000	\$ 401,765	\$ 1,401,765

8. 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, 2021 and 2020.

9. 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 \$700,981 and \$700,156 at June 30, 2021 and 2020, 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.

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10. 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 age 21 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, 2021 and 2020 the match contribution expense was \$23,256 and \$22,793, respectively.

11. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,695,096	\$ 3,843,682
Unconditional promises to give, current portion	335,000	200,000
Other receivables	44,050	12,812
Investments	<u>1,401,765</u>	<u>1,183,346</u>
Financial assets, at year end	<u>5,475,911</u>	<u>5,239,840</u>
Less: Assets unavailable for general expenditures within one year due to:		
Donor-imposed restrictions	2,329,894	2,583,168
Perpetual endowment	1,000,000	1,000,000
Adjusted for: long-term promises to give	<u>(40,000)</u>	<u>-</u>
Total financial assets unavailable for general expenditure within one year	<u>3,289,894</u>	<u>3,583,168</u>
Financial assets available to meet cash needs for general expenditures within one year	2,186,017	1,656,672
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>\$ 3,186,017</u>	<u>\$ 2,656,672</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.

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12. 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 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 had not yet applied for or received loan forgiveness and, therefore, believed the barriers had not been overcome at that date. Therefore, the PPP funding received was recorded as deferred revenue on the statements of financial position at June 30, 2020. In March 2021 the Organization was granted full forgiveness of the grant and recognized \$553,850 of grant revenue for the year ended June 30, 2021.