MEDSHARE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Warren Averett
CPAs AND ADVISORS

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Warren Averett
CPAs AND ADVISORS

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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, 2109 and 2018, 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, 2019 and 2018, 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 31, 2020

MEDSHARE INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 1,489,084	$ 1,758,896
Unconditional promises to give, current portion	50,000	200,000
Other receivables	139,719	91,087
Inventory	17,124,354	12,996,914
Prepaid expenses	127,354	158,952
Other current assets	52,178	1,202
Total current assets	18,982,689	15,207,051
PROPERTY AND EQUIPMENT		
Land	340,552	340,552
Building and improvements	1,932,048	1,932,048
Furniture and equipment	565,764	544,926
Computer software	71,774	71,774
Total property and equipment	2,910,138	2,889,300
Accumulated depreciation	(1,215,787)	(1,104,314)
Total property and equipment – net	1,694,351	1,784,986
OTHER ASSETS		
Unconditional promises to give, net of current portion	50,000	-
Other receivables	699,193	617,608
Investments	1,234,954	1,183,019
Other assets	136,724	35,419
Total other assets	2,120,871	1,836,046
TOTAL ASSETS	$ 22,797,911	$ 18,828,083

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 409,001	$ 330,494
Deferred revenue	53,550	55,250
Total current liabilities	462,551	385,744
NET ASSETS		
Without donor restrictions	19,316,800	15,348,688
With donor restrictions		
Restricted by purpose or time	2,018,560	2,093,651
Restricted in perpetuity	1,000,000	1,000,000
Total with donor restrictions	3,018,560	3,093,651
Total net assets	22,335,360	18,442,339
TOTAL LIABILITIES AND NET ASSETS	$ 22,797,911	$ 18,828,083

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(*with comparative totals for 2018*)

	2019			2018
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Total**
REVENUE AND SUPPORT				
Grants and contributions	$ 2,711,334	$ -	$ 2,711,334	$ 1,877,915
Contributions for specific projects	-	2,761,824	2,761,824	2,582,467
Special events, net of direct expenses	413,726	-	413,726	551,855
In-kind contributions				
Equipment and supplies	18,703,355	-	18,703,355	15,607,347
Contributions received in IMEC acquisition	2,591,737	-	2,591,737	-
Professional services	129,204	-	129,204	70,038
Earnings (loss) on investments, net	-	51,935	51,935	(10,201)
Other income	4,522	-	4,522	85,542
Net assets released from restrictions	2,888,850	(2,888,850)	-	-
TOTAL REVENUE AND SUPPORT	27,442,728	(75,091)	27,367,637	20,764,963
EXPENSES				
Program expenses	21,595,296	-	21,595,296	17,360,623
Fundraising expenses	1,125,291	-	1,125,291	710,094
Management and general expenses	754,029	-	754,029	548,008
TOTAL EXPENSES	23,474,616	-	23,474,616	18,618,725
INCREASE (DECREASE) IN NET ASSETS	3,968,112	(75,091)	3,893,021	2,146,238
NET ASSETS,				
BEGINNING OF YEAR	15,348,688	3,093,651	18,442,339	16,296,101
END OF YEAR	$ 19,316,800	$ 3,018,560	$ 22,335,360	$ 18,442,339

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restricted	Total
REVENUE AND SUPPORT			
Grants and contributions	$ 1,877,915	$ -	$ 1,877,915
Contributions for specific projects	-	2,582,467	2,582,467
Special events, net of expenses	551,855	-	551,855
In-kind contributions			
Equipment and supplies	15,607,347	-	15,607,347
Professional services	70,038	-	70,038
Loss on investments, net	-	(10,201)	(10,201)
Other income	85,542	-	85,542
Net assets released from restrictions	2,422,330	(2,422,330)	-
TOTAL REVENUE AND SUPPORT	20,615,027	149,936	20,764,963
EXPENSES			
Program expenses	17,360,623	-	17,360,623
Fundraising expenses	710,094	-	710,094
Management and general expenses	548,008	-	548,008
TOTAL EXPENSES	18,618,725	-	18,618,725
INCREASE IN NET ASSETS	1,996,302	149,936	2,146,238
NET ASSETS,			
BEGINNING OF YEAR	13,352,386	2,943,715	16,296,101
END OF YEAR	$ 15,348,688	$ 3,093,651	$ 18,442,339

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Program Services	Fundraising	General & 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
Professional fees	114,450	53,410	86,474	254,334
Travel	123,537	48,042	-	171,579
Office expenses	61,789	87,932	87,932	237,653
Depreciation	104,785	3,344	3,344	111,473
Insurance	58,857	2,616	3,924	65,397
Marketing	-	67,742	-	67,742
Other expenses	21,224	-	45,100	66,324
Total expenses	$ 21,595,296	$ 1,125,291	$ 754,029	$ 23,474,616
Year Ended June 30, 2018				
Equipment and supplies shipped	$ 13,544,927	$ -	$ -	$ 13,544,927
Personnel	2,028,854	518,132	384,117	2,931,103
Shipping	671,797	-	-	671,797
Occupancy	731,635	27,253	16,738	775,626
Professional fees	72,393	11,996	118,450	202,839
Travel	82,418	32,243	301	114,962
Office expenses	82,645	68,988	18,181	169,814
Depreciation expense	93,180	2,942	1,962	98,084
Insurance	51,826	2,010	5,038	58,874
Marketing	-	41,834	-	41,834
Other expenses	948	4,696	3,221	8,865
Total expenses	$ 17,360,623	$ 710,094	$ 548,008	$ 18,618,725

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS USED IN OPERATING ACTIVITIES		
Change in net assets:	$ 3,893,021	$ 2,146,238
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation expense	111,473	98,084
Realized and unrealized (gain) loss on investments, net	(36,913)	30,083
Increase in inventory – donated	(4,144,371)	(2,025,412)
Change in assets and liabilities:		
Decrease in unconditional promises to give	100,000	858,000
Increase in other receivable	(48,632)	(71,239)
Decrease (increase) in inventory – purchased	16,931	(17,712)
Decrease in prepaid expense	31,598	19,897
(Increase) decrease in other assets	48,330	28,792
Increase in other receivable	(81,585)	(93,553)
Increase in accounts payable and accrued expenses	78,507	100,933
(Decrease) increase in deferred revenue	(1,700)	27,750
Net cash (used in) provided by operating activities	(33,341)	1,101,861
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property and equipment	-	(63,101)
Acquisition of IMEC	(221,449)	-
Reinvestment in investments	(15,022)	(19,882)
Net cash used in investing activities	(236,471)	(82,983)
NET (DECREASE) INCREASE IN CASH	(269,812)	1,018,878
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	1,758,896	740,018
END OF YEAR	$ 1,489,084	$ 1,758,896
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	
Cash expended	221,449	
Net assets contributed	$ 2,591,737	

See notes to the financial statements.

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 August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which made several improvements to current financial reporting for not-for-profits. The guidance was effective for the Organization’s annual financial statements for the year ended June 30, 2019. The changes in the ASU were applied on a retrospective basis, which means that all financial statements presented reflected the changes and the effect was disclosed for each period presented.

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 not subject to donor-imposed restrictions.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2019. One donor represents 100% of the balance of pledges receivable at June 30, 2018.

There were no contribution concentrations for the year ended June 30, 2019. For the year ended June 30, 2018 approximately 18% of contributions received were attributable to one donor.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2019 or 2018.
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, other than donated medical supplies and equipment, 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, 2019 and 2018, 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 this criteria. During the years ended June 30, 2019 and 2018, the value of these services was $129,204 and $70,038, respectively.

Deferred Revenue

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

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 and are U.S. investments.

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 $111,473 and $98,084 have been charged to operations for the years ended 2019 and 2018, respectively.

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 statement 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recently Issued Accounting Standards

In May 2014 the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* superseding the guidance in former 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 new guidance will be effective for fiscal year ending June 30, 2020, for the Organization. The Organization does not expect the adoption to have a material impact on the financial statements.

In June 2018 the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958-605)* clarifying the accounting guidance for contributions received and contributions made to further improve the scope and the accounting guidance for revenue recognition, to assist entities distinguishing between contributions (non-reciprocal) and exchange (reciprocal) transactions and to determine whether a contribution is conditional. The amendment will be effective for the Organization's fiscal year ending June 30, 2020. The Organization does not expect the adoption to have a material impact on the financial statements.

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. This standard update allows for a modified retrospective application. The new guidance will be effective for the fiscal year ended June 30, 2022; 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, 2019 and January 31, 2020, 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 assume and 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 statement of activities.

4. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2019 and 2018 are receivable as follows:

	2019	2018
Year ending June 30,		
2019	$ -	$ 200,000
2020	50,000	-
2021	50,000	-
	$ 100,000	$ 200,000

5. INVESTMENTS

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

	2019	2018
Cash	$ 42,036	$ 34,099
Common stock	50,948	58,235
Mutual funds – bonds	352,230	331,806
Mutual funds – equities	189,882	180,062
Exchange traded funds	599,858	578,817
Total investments	$ 1,234,954	$ 1,183,019

Investment return for the years ended June 30, 2019 and 2018 is comprised of:

	2019	2018
Interest and dividend income	$ 26,683	$ 31,840
Net realized (loss) on investments	-	(57,110)
Unrealized gain on investments	36,913	27,027
Brokerage fees	(11,661)	(11,958)
	$ 51,935	$ (10,201)

6. LEASE COMMITMENTS

The Organization has obligations under various non-cancelable operating leases for office and warehouse space that expire at various dates through 2023. 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,		
2020	$	576,870
2021		521,640
2022		541,000
2023		464,000

Rent expense under operating leases for the years ended June 30, 2019 and 2018 amounted to approximately $590,000 and $576,000, respectively. The lease for office space is subject to escalation based on increases in building operating expenses.

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, 2019 and 2018 is as follows:

	2019	2018
Subject to expenditure for specified purpose:		
Container sponsorships and operating grants	$ 1,677,738	$ 1,408,961
Disaster relief	-	170,435
Other	124,555	331,236
Subject to spending policy and appropriation:		
Accumulated gains on endowment (restricted for building maintenance)	216,267	183,019
Endowment restricted in perpetuity	1,000,000	1,000,000
Total net assets with donor restrictions	$ 3,018,560	$ 3,093,651

7. NET ASSETS RESTRICTIONS – CONTINUED

Net assets with donor restrictions released from restrictions during the years ended June 30, 2019 and 2018, were as follows:

	2019	2018
Container sponsorships and operating grants	$ 2,475,816	$ 1,646,506
Disaster relief	200,625	603,990
Building maintenance	18,687	-
Other	193,722	171,834
	$ 2,888,850	$ 2,422,330

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 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

8. ENDOWMENT FUND – CONTINUED

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 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.

The Organization's endowment net asset composition as of June 30, 2019 and 2018 is as follows:

	Original Gift Amount	Accumulated Gains (Losses) and Other	Total Funds
June 30, 2019	$ 1,000,000	$ 216,267	$ 1,216,267
June 30, 2018	$ 1,000,000	$ 183,019	$ 1,183,019

8. ENDOWMENT FUND – CONTINUED

Changes in the Organization's endowment for the year ended June 30, 2019 and 2018 are as follows:

	Original Gift Amount	Accumulated Gains (Losses) and Other	Total Funds
Beginning Balance July 1, 2017	$ 1,000,000	$ 193,220	$ 1,193,220
Investment gain, net	-	(37,228)	(37,228)
Unrealized gain	-	27,027	27,027
Appropriated for expenditure	-	-	-
Ending Balance June 30, 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 June 30, 2019	$ 1,000,000	$ 216,267	$ 1,216,267
Appropriated investments			18,687
Total Investments			$ 1,234,954

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 bears interest at the prime rate with a 4.50% floor and matures on March 21, 2020. There were no outstanding balances at June 30, 2019 and 2018.

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 $699,193 and $617,608 at June 30, 2019 and 2018, respectively, are established as allowed by IRC Section 26 CFR Section 1.7872-15 and are included as another receivable on the Organization's statement 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.

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, 2019 and 2018 the match contribution expense was $20,700 and $17,013, respectively.

12. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of June 30, 2019 and 2018, 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.

	2019	2018
Cash and cash equivalents	$ 1,489,084	$ 1,758,896
Unconditional promises to give, current portion	50,000	200,000
Other receivables	139,719	91,087
Investments	1,234,954	1,183,019
Financial assets, at year end	2,913,757	3,233,002
Less: Assets unavailable for general expenditures within one year due to:		
Donor-imposed restrictions	2,018,560	2,093,651
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	2,968,560	3,093,651
Financial assets available to meet cash needs for general expenditures within one year	(54,803)	139,351
Liquidity resources		
Bank line of credit (undrawn)	1,000,000	1,000,000
Total financial asset and liquidity resources available within one year	$ 945,197	$ 1,139,351

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.