

MEDSHARE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022



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The report accompanying this deliverable was issued
by Warren Averett, LLC.

MEDSHARE INTERNATIONAL, INC.
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JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
MedShare International, Inc.

Opinion

We have audited the accompanying statements of MedShare International, Inc. (a Georgia not-for-profit organization) (the Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MedShare International, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Warren Averett, LLC

Atlanta, Georgia
July 24, 2025

MEDSHARE INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	ASSETS	
	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 439,294	\$ 2,530,252
Unconditional promises to give, current portion	105,000	290,000
Other receivables	47,965	96,000
Inventory, net	17,647,868	22,366,549
Prepaid expenses	58,798	114,067
Total current assets	18,298,925	25,396,868
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	(1,655,731)	(1,557,048)
Total property and equipment – net	1,314,641	1,413,324
OTHER ASSETS		
Other receivables	700,981	700,981
Investments	1,369,845	1,279,835
Operating lease right-of-use asset, net	224,748	-
Other assets	15,318	35,419
Total other assets	2,310,892	2,016,235
TOTAL ASSETS	\$ 21,924,458	\$ 28,826,427

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

LIABILITIES AND NET ASSETS		
	2023	2022
CURRENT LIABILITIES		
Supplemental cash flow disclosures	\$ 575,661	\$ 432,325
Operating lease liability, current	128,828	-
Total current liabilities	704,489	432,325
LONG-TERM OPERATING LEASE LIABILITY	99,106	-
TOTAL LIABILITIES	803,595	432,325
NET ASSETS		
Without donor restrictions	18,342,906	25,512,807
With donor restrictions		
Restricted by purpose or time	1,777,957	1,881,295
Restricted in perpetuity	1,000,000	1,000,000
Total with donor restrictions	2,777,957	2,881,295
Total net assets	21,120,863	28,394,102
TOTAL LIABILITIES AND NET ASSETS	\$ 21,924,458	\$ 28,826,427

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(with comparative totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 2,286,986	\$ 1,411,431	\$ 3,698,417	\$ 4,634,755
Special events, net of direct expenses (\$120,555 and \$118,801)	118,930	-	118,930	292,472
In-kind contributions				
Equipment and supplies	16,930,333	-	16,930,333	18,315,276
Professional services	-	-	-	130,889
Income (loss) on investments, net	-	90,010	90,010	(121,930)
Other income	8,211	-	8,211	5,549
Net assets released from restrictions	1,604,779	(1,604,779)	-	-
TOTAL REVENUE AND SUPPORT	20,949,239	(103,338)	20,845,901	23,257,011
EXPENSES				
Program expenses	25,934,025	-	25,934,025	21,559,532
Fundraising expenses	1,041,459	-	1,041,459	941,726
Management and general expenses	1,143,656	-	1,143,656	1,140,949
TOTAL EXPENSES	28,119,140	-	28,119,140	23,642,207
DECREASE IN NET ASSETS	(7,169,901)	(103,338)	(7,273,239)	(385,196)
NET ASSETS AT:				
BEGINNING OF YEAR	25,512,807	2,881,295	28,394,102	28,779,298
END OF YEAR	\$ 18,342,906	\$ 2,777,957	\$ 21,120,863	\$ 28,394,102

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 2,469,428	\$ 2,165,327	\$ 4,634,755
Special events, net of direct expenses (\$118,801)	292,472	-	292,472
In-kind contributions			
Equipment and supplies	18,315,276	-	18,315,276
Professional services	130,889	-	130,889
Loss on investments, net	-	(121,930)	(121,930)
Other income	5,549	-	5,549
Net assets released from restrictions	2,491,996	(2,491,996)	-
TOTAL REVENUE AND SUPPORT	<u>23,705,610</u>	<u>(448,599)</u>	<u>23,257,011</u>
EXPENSES			
Program expenses	21,559,532	-	21,559,532
Fundraising expenses	941,726	-	941,726
Management and general expenses	1,140,949	-	1,140,949
TOTAL EXPENSES	<u>23,642,207</u>	<u>-</u>	<u>23,642,207</u>
DECREASE IN NET ASSETS	63,403	(448,599)	(385,196)
NET ASSETS AT:			
BEGINNING OF YEAR	<u>25,449,404</u>	<u>3,329,894</u>	<u>28,779,298</u>
END OF YEAR	<u>\$ 25,512,807</u>	<u>\$ 2,881,295</u>	<u>\$ 28,394,102</u>

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	Program Services	Fundraising	General and Administrative	Total
Year Ended June 30, 2023				
Equipment and supplies shipped	\$ 21,603,957	\$ -	\$ -	\$ 21,603,957
Personnel	2,242,572	879,139	502,043	3,623,754
Shipping	1,045,091	-	259,112	1,304,203
Occupancy	547,275	17,466	43,058	607,799
Office expenses	42,671	71,445	136,936	251,052
Professional fees	88,642	12,289	98,602	199,533
Depreciation	98,683	-	-	98,683
Travel	92,463	21,424	45,113	159,000
Insurance	70,687	498	16,997	88,182
Marketing	-	23,263	364	23,627
Other expenses	101,984	15,935	41,431	159,350
Total expenses	<u>\$ 25,934,025</u>	<u>\$ 1,041,459</u>	<u>\$ 1,143,656</u>	<u>\$ 28,119,140</u>
	Program Services	Fundraising	General and Administrative	Total
Year Ended June 30, 2022				
Equipment and supplies shipped	\$ 17,324,890	\$ -	\$ -	\$ 17,324,890
Personnel	1,938,218	759,825	433,907	3,131,950
Shipping	830,242	-	205,845	1,036,087
Occupancy	947,555	30,238	74,554	1,052,347
Office expenses	51,179	85,691	164,240	301,110
Professional fees	179,649	24,906	199,834	404,389
Depreciation	109,870	-	-	109,870
Travel	26,367	6,109	12,865	45,341
Insurance	73,685	519	17,718	91,922
Marketing	-	22,270	348	22,618
Other expenses	77,877	12,168	31,638	121,683
Total expenses	<u>\$ 21,559,532</u>	<u>\$ 941,726</u>	<u>\$ 1,140,949</u>	<u>\$ 23,642,207</u>

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS USED IN OPERATING ACTIVITIES		
Change in net assets:	\$ (7,273,239)	\$ (385,196)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation expense	98,683	109,870
Realized and unrealized (gain) loss on investments, net	(57,558)	151,395
Decrease (increase) in inventory – donated	4,691,630	(902,708)
Amortization of operating lease right-of-use asset	127,776	-
Change in assets and liabilities:		
Decrease in unconditional promises to give	185,000	85,000
Decrease (increase) in other receivables	48,035	(51,950)
Decrease (Increase) in inventory – purchased	27,051	(145,018)
Decrease (increase) in prepaid expense	55,269	(24,832)
Decrease in other assets	20,101	-
Increase in accounts payable		
and accrued expenses	143,336	28,060
Operating lease liability	(124,590)	-
Net cash used in operating activities	<u>(2,058,506)</u>	<u>(1,135,379)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Reinvestment in investments	<u>(32,452)</u>	<u>(29,465)</u>
Net cash used in investing activities	<u>(32,452)</u>	<u>(29,465)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,090,958)	(1,164,844)
CASH AND CASH EQUIVALENTS AT:		
BEGINNING OF YEAR	<u>2,530,252</u>	<u>3,695,096</u>
END OF YEAR	<u><u>\$ 439,294</u></u>	<u><u>\$ 2,530,252</u></u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Non-cash activity:		
Additions to right-of-use asset and lease liability from adoption of new standard (See Note 2)	<u><u>\$ 352,524</u></u>	<u><u>\$ -</u></u>

See notes to the financial statements.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

1. DESCRIPTION OF BUSINESS

Description of Business

Incorporated in December 1998, MedShare International, Inc. (MedShare or the Organization) is a 501(c)(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

Adoption of New Accounting Standards

Effective July 1, 2022, the Organization adopted FASB Topic 842, *Leases* (Topic 842). Under Topic 842, a lessee is required to recognize a lease liability and a right-of-use lease asset on the statements of financial position. Upon adoption of the new guidance, the Organization recognized right-of-use lease assets and lease liabilities of \$352,524. There was no cumulative effect adjustment to the Organization's net assets as a result of the adoption of this standard.

In connection with the adoption of Topic 842, the Organization elected to apply the following practical expedients:

- not to reassess whether a contract includes an embedded lease at adoption;
- not to reassess the previously determined classification of a lease as operating or capital;
- not to reassess previously recorded initial direct costs;
- election of an accounting policy that permits inclusion of both the lease and non-lease components as a single lease component;
- election of an accounting policy to exclude lease accounting requirements for leases that have terms of less than 12 months; and
- the use of hindsight in determining the lease term and in assessing impairment of right-of-use assets.

In accordance with Topic 842, at lease commencement, the Organization initially measures the lease liability at the present value of payments expected to be made during the lease term. The right-of-use lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs.

Key estimates and judgments related to leases include how the Organization determines: (1) the discount rate used to discount the expected lease payments to present value, (2) lease term and (3) lease payments. The Organization uses the interest rate charged by the lessor as the discount

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

rate. When the interest rate charged by the lessor is not provided, the Organization generally uses the risk-free interest rate as the discount rate for leases. The lease term includes the noncancellable period of the lease, as well as expected renewal terms. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The Organization monitors changes in circumstances that would require a remeasurement of its leases and will remeasure right-of-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of any lease liability.

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.

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.

Four donors represent 100% of the balance of unconditional promises to give at June 30, 2023. Two donors represent 100% of the balance of unconditional promises to give at June 30, 2022. There were no concentrations of contributions received for the years ended June 30, 2023 and 2022.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023 or 2022.

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.

In-Kind Contributions

The Organization utilizes in-kind contributions to carry out its mission. All in-kind contributions received during the years ended June 30, 2023 and 2022, were considered without donor restrictions and able to be used by the Organization as determined by the Board of Trustees (the Board) and management. The Organization values in-kind contributions received and made at amounts that approximate their fair value at the date received or distributed.

Donated Equipment and Supplies: Donated equipment and supplies are reflected as contributions at their estimated value at the date of receipt. See Inventory section below for additional information regarding valuation of donated equipment and supplies.

Contributed Services: Contributed 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, 2023 and 2022, 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, 2023 and 2022, the value of these services was approximately \$0 and \$131,000, 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.

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.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 \$98,683 and \$109,870 has been charged to operations for the years ended 2023 and 2022, respectively.

Investments

Investments are carried at fair value in accordance with 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.

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.

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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.

Events Occurring After Report Date

Management has evaluated events and transactions that occurred between June 30, 2023 and July 24, 2025, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. See Note 12.

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2023 and 2022, are receivable as follows:

	<u>2023</u>	<u>2022</u>
<u>For the Year Ending June 30:</u>		
2023	\$ -	\$ 290,000
2024	105,000	-
	<u>\$ 105,000</u>	<u>\$ 290,000</u>

4. INVESTMENTS

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 43,147	\$ 52,569
Money market funds	65,000	-
Common stock	608,996	597,803
Government bonds	95,777	20,061
Corporate bonds	216,359	299,860
Mutual funds – equities	328,082	309,542
Other	12,484	-
Total investments	<u>\$ 1,369,845</u>	<u>\$ 1,279,835</u>

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Investment return for the years ended June 30, 2023 and 2022, is comprised of:

	2023	2022
Interest and dividend income	\$ 39,675	\$ 41,037
Net realized and unrealized gain (loss) on investments	57,558	(151,395)
Brokerage fees	(7,223)	(11,572)
	<u>\$ 90,010</u>	<u>\$ (121,930)</u>

5. RIGHT-OF-USE LEASE ASSET AND LEASE LIABILITY

Right-of-use asset and lease liability are classified as follows on the statements of financial position as of Jun 30, 2023:

Operating Leases

Operating lease right-of-use assets, net	<u>\$ 224,748</u>
Current portion of operating lease liabilities	\$ 128,828
Operating lease liabilities, net of current portion	<u>99,106</u>
Total operating lease liabilities	<u>\$ 227,934</u>

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2023:

Weighted Average Remaining Lease Term

Operating leases	1.75
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Weighted Average Discount Rate

Operating leases	0.37%
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Future minimum lease payments for the years ending June 30 are as follows:

For the Year Ending June 30:

2023	\$ 64,226
2024	131,341
2025	<u>33,076</u>
Total lease payments	228,643
Less interest	<u>(709)</u>
Present value of lease liability	<u>\$ 227,934</u>

MEDSHARE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Rent expense under operating leases for the years ended June 30, 2023 and 2022, amounted to approximately \$409,000 and \$663,000, respectively. The lease for office space is subject to escalation based on increases in building operating expenses.

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, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Container sponsorships and operating grants	\$ 835,422	\$ 1,161,131
Other	572,690	440,329
Subject to spending policy and appropriation:		
Accumulated gains on endowment (restricted for building maintenance)	369,845	279,835
Endowment restricted in perpetuity	<u>1,000,000</u>	<u>1,000,000</u>
Total net assets with donor restrictions	<u><u>\$ 2,777,957</u></u>	<u><u>\$ 2,881,295</u></u>

Net assets with donor restrictions released from restrictions during the years ended June 30, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Container sponsorships and operating grants	\$ 877,420	\$ 1,447,253
Disaster relief	642,884	646,252
Other	<u>84,475</u>	<u>398,491</u>
	<u><u>\$ 1,604,779</u></u>	<u><u>\$ 2,491,996</u></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.

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

MEDSHARE INTERNATIONAL, INC.
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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.

The Organization's endowment net asset composition as of June 30, 2023 and 2022, is as follows:

	Original Gift Amount	Accumulated Gains (Losses) and Other	Total Funds
June 30, 2023	<u>\$ 1,000,000</u>	<u>\$ 369,845</u>	<u>\$ 1,369,845</u>
June 30, 2022	<u>\$ 1,000,000</u>	<u>\$ 279,835</u>	<u>\$ 1,279,835</u>

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Changes in the Organization's endowment for the year ended June 30, 2023 and 2022, are as follows:

	Original Gift Amount	Accumulated Gains (Losses) and Other	Total Funds
Beginning Balance July 1, 2021	\$ 1,000,000	\$ 401,765	\$ 1,401,765
Investment gain, net	-	249,777	249,777
Unrealized loss	-	(371,707)	(371,707)
Ending Balance June 30, 2022	1,000,000	279,835	1,279,835
Investment gain, net	-	32,452	32,452
Unrealized gain	-	57,558	57,558
Ending Balance at June 30, 2023	<u>\$ 1,000,000</u>	<u>\$ 369,845</u>	<u>\$ 1,369,845</u>

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, 2024 bearing interest at the prime rate with a 3.00% floor. There were no outstanding balances at June 30, 2023 and 2022. The line of credit was not renewed.

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 at June 30, 2023 and 2022, 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.

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, 2023 and 2022, the match contribution expense was \$26,243 and \$23,511, respectively.

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11. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022, 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.

	2023	2022
Cash and cash equivalents	\$ 439,294	\$ 2,530,252
Unconditional promises to give, current portion	105,000	290,000
Other receivables	47,965	96,000
Investments	1,369,845	1,279,835
Financial assets, at year end	1,962,104	4,196,087
Less: Assets unavailable for general expenditures within one year due to:		
Donor-imposed restrictions	1,777,957	1,881,295
Perpetual endowment	1,000,000	1,000,000
Total financial assets unavailable for general expenditure within one year	2,777,957	2,881,295
Financial assets available to meet cash needs for general expenditures within one year	(815,853)	1,314,792
Liquidity resources		
Bank line of credit (undrawn)	1,000,000	1,000,000
Total financial asset and liquidity resources available within one year	\$ 184,147	\$ 2,314,792

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.

12. SUBSEQUENT EVENTS

On October 10, 2023, subsequent to year end, the Organization entered into a Purchase and Sales Agreement with a third party. The Organization sold land and a building located in Decatur, Georgia, for a purchase price of \$4,725,000. On December 1, 2023, subsequent to year end, the Organization entered into a lease agreement with the purchaser of the land and building to lease the Decatur, Georgia property for 36 months.

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In June 2024, the Organization closed the warehouse located in Secaucus, New Jersey and transferred any remaining inventory to the warehouse located in Decatur, Georgia. In June 2025, the Organization exited the leased space located in Hayward, California and transferred any remaining inventory to the warehouse located in Decatur, Georgia.