

MEDICAL BENEVOLENCE FOUNDATION
(a Tennessee Non-Profit Corporation)

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

GAINER DONNELLY & DESROCHES

MEDICAL BENEVOLENCE FOUNDATION
(a Tennessee Non-Profit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Medical Benevolence Foundation
Houston, Texas

We have audited the accompanying statements of financial position of Medical Benevolence Foundation (the "Foundation") as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Medical Benevolence Foundation as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gainer Donnelly & Desroches LLP

October 17, 2011

MEDICAL BENEVOLENCE FOUNDATION
(a Tennessee Non-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

ASSETS

	2011	2010
ASSETS:		
Cash and Cash Equivalents	\$ 1,661,046	\$ 1,567,758
Receivables:		
Presbyterian Church USA (ECO)	25,897	37,720
Contributions	31,658	-
Certificates of Deposit	-	100,000
Prepaid Expenses and Other Assets	15,863	41,855
Investments	4,191,198	3,828,301
Property and Equipment, Net	167,175	178,453
TOTAL ASSETS	\$ 6,092,837	\$ 5,754,087

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 72,550	\$ 34,907
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted	680,875	625,245
Temporarily Restricted	1,634,070	1,623,133
Permanently Restricted	3,705,342	3,470,802
TOTAL NET ASSETS	6,020,287	5,719,180
TOTAL LIABILITIES AND NET ASSETS	\$ 6,092,837	\$ 5,754,087

The accompanying notes are an integral part of these financial statements.

MEDICAL BENEVOLENCE FOUNDATION
(a Tennessee Non-Profit Corporation)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES:								
Contributions	\$ 1,476,414	\$ 1,244,142	\$ 198,262	\$ 2,918,818	\$ 1,800,290	\$ 1,335,265	\$ 13,500	\$ 3,149,055
Contributions of Medical Supplies and Equipment	33,657	-	-	33,657	5,080,936	-	-	5,080,936
Grants and Awards	352,163	-	-	352,163	1,038,768	-	-	1,038,768
Investment Income	325,621	129,856	36,278	491,755	341,614	5,784	3,446	350,844
Net Assets Released from Restrictions:								
Change in Donor Restriction	-	-	-	-	-	343,537	(343,537)	-
Expenditures for Program Purposes	1,363,061	(1,363,061)	-	-	825,692	(788,085)	(37,607)	-
Total Revenues	3,550,916	10,937	234,540	3,796,393	9,087,300	896,501	(364,198)	9,619,603
EXPENSES:								
Program Services:								
Worldwide Medical Missions	1,435,612	-	-	1,435,612	1,058,909	-	-	1,058,909
Supplies and Equipment	39,047	-	-	39,047	5,222,323	-	-	5,222,323
Grants for Medical Missions	412,740	-	-	412,740	1,144,873	-	-	1,144,873
Mission Education	307,087	-	-	307,087	363,925	-	-	363,925
Volunteer Program	43,409	-	-	43,409	243,548	-	-	243,548
Total Program Expenses	2,237,895	-	-	2,237,895	8,033,578	-	-	8,033,578
General and Administrative	980,550	-	-	980,550	920,223	-	-	920,223
Fundraising	276,841	-	-	276,841	370,533	-	-	370,533
Total Expenses	3,495,286	-	-	3,495,286	9,324,334	-	-	9,324,334
INCREASE (DECREASE) IN NET ASSETS	55,630	10,937	234,540	301,107	(237,034)	896,501	(364,198)	295,269
NET ASSETS, BEGINNING OF YEAR	625,245	1,623,133	3,470,802	5,719,180	862,279	726,632	3,835,000	5,423,911
NET ASSETS, END OF YEAR	\$ 680,875	\$ 1,634,070	\$ 3,705,342	\$ 6,020,287	\$ 625,245	\$ 1,623,133	\$ 3,470,802	\$ 5,719,180

The accompanying notes are an integral part of these financial statements.

MEDICAL BENEVOLENCE FOUNDATION
(a Tennessee Non-Profit Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 301,107	\$ 295,269
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation Expense	60,778	48,241
Contributions Restricted for Endowments	(198,262)	(13,500)
Unrealized and Realized Gains on Investments	(386,870)	(204,327)
Gains on Beneficial Interests in Charitable Gift Annuities	(6,368)	(22,032)
Changes in Operating Assets and Liabilities:		
Receivables	(19,835)	140,032
Prepaid Expenses and Other Assets	25,992	(23,127)
Accounts Payable and Accrued Expenses	37,643	(10,147)
Grants Payable to International Medical Facilities	-	(99,681)
	(185,815)	110,728
Net Cash Provided by (Used in) Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(410,386)	(142,539)
Sales of Investments	440,727	188,865
Proceeds from Annuities	-	15,257
Redemptions of Certificates of Deposit	100,000	18,045
Purchases of Property and Equipment	(49,500)	(104,888)
	80,841	(25,260)
Net Cash Provided by (Used in) Investing Activities		
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Contributions Restricted for Endowments	198,262	13,500
	93,288	98,968
NET INCREASE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,567,758	1,468,790
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,661,046	\$ 1,567,758

The accompanying notes are an integral part of these financial statements.

MEDICAL BENEVOLENCE FOUNDATION
(A Tennessee Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION

Medical Benevolence Foundation (the “Foundation”) is a Tennessee non-profit corporation founded in 1963 to support the medical programs of the General Assembly of the Presbyterian Church U.S.A. (“PCUSA”) in foreign countries through a covenant relationship. The Foundation receives gifts from contributors throughout the United States of America. Upon dissolution of the Foundation, all assets must be transferred to the International Health Ministries Division of PCUSA.

The Foundation is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §170(b)(1)(A)(vi).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation’s resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted Net Assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Temporarily Restricted Net Assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.
- *Permanently Restricted Net Assets* include contributions that donors have restricted in perpetuity. The related investment income may be used to support various programs of the Foundation.

Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with initial maturities of three months or less at the time of purchase to be cash equivalents.

Receivables

Receivables include unconditional promises to give that are expected to be collected within one year and are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. The Foundation considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Conditional promises to give are not included as revenue until the conditions have been substantially met.

MEDICAL BENEVOLENCE FOUNDATION
(A Tennessee Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable securities with readily determinable fair values are carried at fair value based on quoted market values in active markets. Investment return includes interest, dividends, and realized and unrealized gains and losses. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of the income is limited by donor imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in temporarily restricted net assets until expended in accordance with donor imposed restrictions. Marketable securities donated to the Foundation are recorded at fair value on the date of donation.

Interest in charitable gift annuities is valued at the present value of the estimated expected future benefits.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are recorded at cost for items purchased and fair value at the date of gift for donated items, and are depreciated over the estimated useful lives of the related assets which range from 3 to 5 years. Depreciation is computed using the straight-line method for all assets.

Long-Lived Assets

The Foundation's long-lived assets are evaluated for impairment in accordance with generally accepted accounting principles which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment.

Contributions

Contributions are recorded as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as restricted support.

Government Grant Revenue

The Foundation recognizes government grant revenue when the related services are provided. Amounts received but unearned are included in the statements of financial position as advances from government agencies.

Non-Cash Contributions

Donated medical supplies and equipment are recorded at fair value as unrestricted contributions and expensed at the time a shipment is made. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

MEDICAL BENEVOLENCE FOUNDATION
(A Tennessee Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income tax has been made in these financial statements.

In 2010, the Foundation adopted a new accounting standard that clarifies the accounting for uncertainty in income taxes recognized for financial statement reporting purposes as applied to nonprofit organizations. Based on its evaluation, the Foundation has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Foundation's evaluation was performed for the tax periods ended June 30, 2008 through June 30, 2011 for U.S. Federal tax. The latter three years remain subject to examination by major tax jurisdictions as of June 30, 2011.

Concentration of Credit Risk

At various times during the year, the Foundation may have bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. Management believes any credit risk is low due to the overall financial strength of the financial institutions.

Fair Value Considerations

The Foundation uses fair value to measure financial and certain nonfinancial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Foundation did not elect the fair value option for the measurement of any eligible assets or liabilities.

The Foundation's financial instruments (primarily cash and cash equivalents, various receivables, and liabilities) are carried in the accompanying statements of financial position at amounts which reasonably approximate fair value.

Use of Estimates

The Foundation uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used. Estimates that have the most impact on financial position and results of operations primarily relate to the collectability of receivables, the fair value of investments, useful lives and recoverability of property and equipment and the allocation of expenses among functional areas. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

MEDICAL BENEVOLENCE FOUNDATION
(A Tennessee Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Foundation has evaluated subsequent events through the date the financial statements were available for issuance on October 17, 2011. No matters were identified affecting the accompanying financial statements or disclosures.

NOTE 3 – AGREEMENT WITH PROJECT C.U.R.E

During 2010, the Foundation and Project C.U.R.E. maintained a collaborative effort for the solicitation, collection, and processing of medical supplies and equipment in the Houston, Texas metropolitan area for shipment to international medical facilities. Project C.U.R.E. valued contributed medical supplies and equipment at fair value and provided a majority of the Foundation's in-kind contributions. The Foundation paid approximately \$8,500 per month to Project C.U.R.E for operating expenses and funded the costs of needs assessments and shipping costs for the Foundation's international medical missions programs through October 2009. The Foundation received approximately \$826,000 in medical equipment and supplies from Project C.U.R.E. that were shipped to Presbyterian related international medical missions for the year ended June 30, 2010. These amounts were recorded as contribution revenue and program expense in the statements of activities and changes in net assets. As the collaborative effort ended in October 2009, no medical equipment or supplies were received from Project C.U.R.E. for the year ended June 30, 2011.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable for the year ended June 30, 2011 totaled \$31,658. All outstanding contributions receivable were received in July 2011. There were no contributions receivable as of June 30, 2010.

NOTE 5 – CONDITIONAL PROMISE TO GIVE

During 2011, the Foundation received a conditional promise to give totaling \$775,000 for a project to restore Hospital St. Croix in Haiti. For the year ended June 30, 2011, \$155,000 of this pledge was recognized in contribution revenue as the conditions were met. Since this pledge represents a conditional promise to give, the remaining balance of the restricted pledge will not be recorded as contribution revenue until the donor's conditions are met.

NOTE 6 – FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three tier fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

MEDICAL BENEVOLENCE FOUNDATION
(A Tennessee Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE MEASUREMENTS (CONTINUED)

The three levels of inputs that may be used to measure fair value are as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than Level 1 inputs that are either directly or indirectly observable such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity.

Investments in balanced mutual funds, pooled funds by Texas Presbyterian Foundation, bond securities, and equity securities are included in Level 1 as they are currently traded in active markets. Interest in charitable gift annuities (Level 2) is measured at the fair value of the account less the estimated actuarial liability necessary to meet future payments to the life income beneficiaries. The rate of return on investments used to calculate the charitable interest was approximately 4%.

The value of assets and liabilities measured at fair value on a recurring basis is as follows:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2011:			
Balanced Mutual Funds	\$ 1,425,310	\$ -	\$ -
Pooled Funds by Texas Presbyterian Foundation	824,084	-	-
Bond Securities	1,743,880	-	-
Equity Securities	113,820	-	-
Interest in Charitable Gift Annuities	-	84,104	-
Total Investments	\$ <u>4,107,094</u>	\$ <u>84,104</u>	\$ <u>-</u>
June 30, 2010:			
Balanced Mutual Funds	\$ 1,230,866	\$ -	\$ -
Pooled Funds by Texas Presbyterian Foundation	648,512	-	-
Bond Securities	1,776,399	-	-
Equity Securities	94,788	-	-
Interest in Charitable Gift Annuities	-	77,736	-
Total Investments	\$ <u>3,750,565</u>	\$ <u>77,736</u>	\$ <u>-</u>

MEDICAL BENEVOLENCE FOUNDATION
(A Tennessee Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE MEASUREMENTS (CONTINUED)

Investment return including interest on bank deposits consists of the following:

	2011	2010
Realized and Unrealized Gains on Investments	\$ 393,238	\$ 226,359
Interest and Dividends	98,517	124,485
Total Investment Return	\$ 491,755	\$ 350,844

Investments are exposed to various risks such as interest rate risk, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position and the statement of activities and changes in net assets.

The Foundation's remaining financial instruments (primarily cash and cash equivalents, receivables, certificates of deposit, and payables) are carried in the accompanying financial statements at amounts which reasonably approximate fair value.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2011	2010
Software	\$ 286,431	\$ 236,931
Computer Equipment	23,245	23,245
Leasehold Improvements	11,716	11,716
	321,392	271,892
Less: Accumulated Depreciation	(154,217)	(93,439)
Property and Equipment, Net	\$ 167,175	\$ 178,453

Depreciation expense for the years ended June 30, 2011 and 2010 totaled \$60,778 and \$48,241, respectively.

NOTE 8 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon management's estimate of the proportion of these costs applicable to each function.

MEDICAL BENEVOLENCE FOUNDATION
(A Tennessee Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – RESTRICTIONS OF NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	2011	2010
Worldwide Medical Missions	\$ 1,129,674	\$ 1,217,176
Extra Commitment Opportunity Funds	-	16,953
IMCK Surgeon Funds	384,706	343,537
Accumulated Undistributed Earnings on Endowment Assets	119,690	45,467
Total Temporarily Restricted Net Assets	\$ 1,634,070	\$ 1,623,133

Permanently restricted net assets are to be invested in perpetuity to provide income to support the mission of the Foundation. The following endowments are maintained at June 30:

	2011	2010
Lingenfelter Memorial Fund	\$ 227,072	\$ 227,072
Kikuyu Rehabilitation Center Endowment	221,803	221,803
Dan Force Endowment	150,570	150,570
Charles Thomas Harper Endowment	121,553	121,553
Indigenous Health Care Worker Education Fund	2,799,464	2,536,346
Other	184,880	213,458
Total Permanently Restricted Net Assets	\$ 3,705,342	\$ 3,470,802

Investment return from the Lingenfelter Memorial Fund is used to support medical missionaries. Investment return from the Kikuyu Rehabilitation Center Endowment benefits the Kikuyu Rehabilitation Center. Investment return from the Dan Force Endowment may be used for any expenses supporting the mission of the Foundation. Investment return from the Charles Thomas Harper Endowment is for the support of worldwide medical missions. Investment return from the Indigenous Health Care Worker Training Endowment is for training of indigenous people engaged in health ministry.

NOTE 10 – DESIGNATED NET ASSETS

The Board designated a specific contribution to fund an endowment for future operations of the Foundation. These funds are held in a separate investment account and the balance of this endowment will be the balance in the account. Earnings are to be used towards the operations of the Foundation. The balance of the investment account designated by the Board at June 30, 2011 and 2010 totaled \$594,136 and \$510,922, respectively.

MEDICAL BENEVOLENCE FOUNDATION
(A Tennessee Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – ENDOWMENT FUNDS

The Board of Trustees of the Foundation has interpreted the Texas Uniform Prudent Management of Investment Funds Act (the Act) 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 Foundation classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment. The net accumulations to the endowment assets are classified as unrestricted.

From time to time, the fair value of assets associated with the endowment fund may fall below the level that the donor or TUPMIFA requires the Foundation to retain as a fund of perpetual duration as a result of temporary unfavorable market fluctuations. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets and amounted to \$5,949 and \$224,935 at June 30, 2011 and 2010, respectively.

The endowment funds are managed by independent financial firms that follow the guidance provided in the investment policy approved by the Board of Trustees. The Board of Trustees approves appropriations for expenditure of endowment funds as part of the annual budget or as an unexpected need arises.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing powers of the endowment assets. To satisfy the long term objectives, the Foundation 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 Foundation targets a diversification asset allocation that places an emphasis on a blend of equity-based investments and fixed income investments to achieve its long-term return objectives' within prudent risk constraints.

Endowment funds by net asset classification are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2011:				
Donor-Restricted				
Endowment Funds	\$ (5,949)	\$ 119,690	\$ 3,705,342	\$ 3,819,083
Board Designated Endowment Funds	<u>594,136</u>	<u>-</u>	<u>-</u>	<u>594,136</u>
Total Funds	\$ <u>588,187</u>	\$ <u>119,690</u>	\$ <u>3,705,342</u>	\$ <u>4,413,219</u>
June 30, 2010:				
Donor-Restricted				
Endowment Funds	\$ (224,935)	\$ 45,467	\$ 3,470,802	\$ 3,291,334
Board Designated Endowment Funds	<u>510,922</u>	<u>-</u>	<u>-</u>	<u>510,922</u>
Total Funds	\$ <u>285,987</u>	\$ <u>45,467</u>	\$ <u>3,470,802</u>	\$ <u>3,802,256</u>

MEDICAL BENEVOLENCE FOUNDATION
(A Tennessee Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – ENDOWMENT FUNDS

Changes in Endowment Net Assets for the Years Ended June 30, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, June 30, 2009	\$ 125,076	\$ 39,683	\$ 3,835,000	\$ 3,999,759
Investment Income	229,304	5,784	3,446	238,534
Contributions	250	-	13,500	13,750
Appropriations of Endowment Assets for Expenditure	(68,643)	-	(37,607)	(106,250)
Release of Permanent Restriction by Donor	-	-	(343,537)	(343,537)
Endowment Net Assets, June 30, 2010	285,987	45,467	3,470,802	3,802,256
Investment Income	297,450	74,223	36,278	407,951
Contributions	4,750	100,000	198,262	303,012
Appropriations of Endowment Assets for Expenditure	-	(100,000)	-	(100,000)
Endowment Net Assets, June 30, 2011	\$ <u>588,187</u>	\$ <u>119,690</u>	\$ <u>3,705,342</u>	\$ <u>4,413,219</u>

NOTE 12 – CONTRIBUTED SERVICES

For the years ended June 30, 2011 and 2010, the Foundation recorded approximately \$97,000 and \$332,000, respectively, in contributed services from various doctors of differing specialties, a software programmer, and a business professional which is included in contributions in the accompanying statements of activities and changes in net assets.

Additionally, directors and officers have made a significant contribution of their time to develop the Foundation and its programs. No amounts have been recognized in the accompanying statements of activities and changes in net assets because the criteria for recognition have not been satisfied.

During 2010, Grace Presbyterian Church (the "Church") donated approximately 30,700 square feet of warehouse space to house medical equipment and supplies, which totaled approximately \$101,000. This amount was recorded in contributions in the accompanying statement of activities and changes in net assets for the year ended June 30, 2010. No contribution of rent was donated for the year ended June 30, 2011.

NOTE 13 – RELATED PARTY TRANSACTIONS

In support of the medical programs of the General Assembly of PCUSA, the Foundation has formed a covenant relationship to carry out the work of international medical missions as partners within the framework of PCUSA. This includes financial support of health related mission personnel and funding for equipment and technical assistance. The Foundation remits certain restricted contributions to PCUSA for distribution in accordance with donor restrictions. In 2011 and 2010, approximately \$177,000 and \$142,000, respectively, was remitted to PCUSA and recorded as worldwide medical missions' expense in these financial statements.

MEDICAL BENEVOLENCE FOUNDATION
(A Tennessee Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS

NOTE 13 – RELATED PARTY TRANSACTIONS (CONTINUED)

Additionally, PCUSA receives Extra Commitment Opportunity Funds from donors on behalf of the Foundation and holds the funds until the Foundation requests disbursement. As of June 30, 2011 and 2010, PCUSA has \$25,897 and \$37,720, respectively in Extra Commitment Opportunity Funds for the Foundation.

NOTE 14 – OPERATING LEASES

The Foundation leases office space and office equipment through operating leases expiring through November 2016. Rental expense for all operating leases totaled approximately \$81,000 for the year ended June 30, 2011. Future minimum lease payments under all noncancellable operating leases are as follows:

Year Ending	
<u>June 30,</u>	
2012	\$ 44,529
2013	51,440
2014	51,507
2015	44,255
2016	41,847
Thereafter	<u>17,436</u>
Total	\$ <u>251,014</u>

NOTE 15 – EMPLOYEE BENEFIT PLAN

The Foundation maintains a multi-employer 401(k) retirement plan. This plan is open to full-time ordained and lay employees of the Foundation. The Foundation contributes a Safe Harbor non-elective 3% of eligible employees' compensation and a 6% discretionary contribution. The participants are 100% vested in these contributions after two years. The Foundation's contributions to this plan totaled approximately \$79,000 and \$94,000 in 2011 and 2010, respectively.