

Medical Benevolence Foundation

FINANCIAL STATEMENTS


June 30, 2017 and 2016



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**Medical Benevolence Foundation
Table of Contents
June 30, 2017 and 2016**

REPORT

Independent Auditors' Report	1
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FINANCIAL STATEMENTS

Statements of Financial Position as of June 30, 2017 and 2016	3
---	---

Statements of Activities for the Years Ended June 30, 2017 and 2016	4
---	---

Statements of Cash Flows for the Years Ended June 30, 2017 and 2016	6
---	---

Notes to Financial Statements	7
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Medical Benevolence Foundation
Houston, Texas

We have audited the accompanying financial statements of Medical Benevolence Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 on 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 Medical Benevolence Foundation as of June 30, 2017 and 2016, 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.

Correction of Error

As discussed in Note 3 to the financial statements, mathematical errors were made in allocating indirect expenses to functional categories in the prior year. Net assets and net income as of June 30, 2016 were not affected by this error; however, the error resulted in over allocation of fundraising expense by \$228,655 and under allocation of administrative cost and mission expense by \$163,527 and \$65,128, respectively. Our opinion was not modified with respect to that matter.

Carly Riggs & Ingram, L.L.C.

Houston, Texas
October 20, 2017

Medical Benevolence Foundation
Statements of Financial Position

<i>June 30,</i>	2017	2016
Assets		
Cash and cash equivalents	\$ 4,500,489	\$ 2,513,497
Receivables		
Presbyterian Church USA (ECO)	-	15,328
Other receivables	-	2,623
Prepaid expenses and other assets	5,606	5,107
Cash and cash equivalents - restricted for endowment	237,176	256,721
Investments	5,563,269	5,737,246
Total assets	\$ 10,306,540	\$ 8,530,522
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 35,691	\$ 38,786
Commitments and contingencies		
Net assets		
Unrestricted	421,341	505,550
Temporarily restricted	5,066,535	3,248,034
Permanently restricted	4,782,973	4,738,152
Total net assets	10,270,849	8,491,736
Total liabilities and net assets	\$ 10,306,540	\$ 8,530,522

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

Medical Benevolence Foundation Statement of Activities

For the year ended June 30,

2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions	\$ 1,248,624	\$ 2,530,564	\$ 44,821	\$ 3,824,009
Contributions of medical supplies and equipment	13,892,833	-	-	13,892,833
Investment income	41,236	509,471	-	550,707
Net assets released from restrictions				
Expenditures for program purposes	1,221,534	(1,221,534)	-	-
Total revenues	16,404,227	1,818,501	44,821	18,267,549
Expenses				
Program services				
Worldwide medical missions	1,366,751	-	-	1,366,751
Supplies and equipment	13,892,833	-	-	13,892,833
Grants for medical missions	-	-	-	-
Mission education	327,464	-	-	327,464
Total program expenses	15,587,048	-	-	15,587,048
General and administrative	453,896	-	-	453,896
Fundraising	447,492	-	-	447,492
Total expenses	16,488,436	-	-	16,488,436
Changes in net assets	(84,209)	1,818,501	44,821	1,779,113
Net assets, beginning of year	505,550	3,248,034	4,738,152	8,491,736
Net assets, end of year	\$ 421,341	\$ 5,066,535	\$ 4,782,973	\$ 10,270,849

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

Medical Benevolence Foundation Statement of Activities

<i>For the year ended June 30,</i>	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions	\$ 1,690,228	\$ 1,871,069	\$ 9,465	\$ 3,570,762
Contributions of medical supplies and equipment	603,259	-	-	603,259
Grants and awards	98,860	-	-	98,860
Investment income (loss)	19,108	(4,609)	(861)	13,638
Net assets released from restrictions				
Expenditures for program purposes	1,394,495	(1,394,495)	-	-
Total revenues	3,805,950	471,965	8,604	4,286,519
Expenses				
Program services				
Worldwide medical missions	1,384,114	-	-	1,384,114
Supplies and equipment	609,553	-	-	609,553
Grants for medical missions	111,448	-	-	111,448
Mission education	377,375	-	-	377,375
Volunteer program	1,220	-	-	1,220
Total program expenses	2,483,710	-	-	2,483,710
General and administrative	636,115	-	-	636,115
Fundraising	385,743	-	-	385,743
Total expenses	3,505,568	-	-	3,505,568
Changes in net assets	300,382	471,965	8,604	780,951
Net assets, beginning of year	205,168	2,776,069	4,729,548	7,710,785
Net assets, end of year	\$ 505,550	\$ 3,248,034	\$ 4,738,152	\$ 8,491,736

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

Medical Benevolence Foundation Statements of Cash Flows

<i>For the years ended June 30,</i>	2017	2016
Operating activities		
Changes in net assets	\$ 1,779,113	\$ 780,951
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions restricted for endowments	(44,821)	(9,465)
Unrealized and realized (gain) loss on investments	(409,044)	85,156
Loss on beneficial interests in charitable gift annuities	-	2,001
Changes in operating assets and liabilities		
Receivables	17,951	4,202
Prepaid expenses and other assets	(499)	86
Accounts payable and accrued expenses	(3,095)	8,118
Net cash provided by operating activities	1,339,605	871,049
Investing activities		
Purchase of investments	(164,178)	(96,545)
Sales of investments	747,199	377,354
Net change in cash and cash equivalents restricted for endowments	19,545	(176,925)
Net cash provided by investing activities	602,566	103,884
Financing activities		
Proceeds from contributions restricted for endowments	44,821	9,465
Net change in cash and cash equivalents	1,986,992	984,398
Cash and cash equivalents, beginning of year	2,513,497	1,529,099
Cash and cash equivalents, end of year	\$ 4,500,489	\$ 2,513,497

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

Medical Benevolence Foundation

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. Medical Benevolence Foundation with the Presbyterian Church as part of the larger body of Christ demonstrates the gospel of Jesus Christ by encouraging and participating in the healing ministries of our worldwide partners.

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. Generally, the related investment income may be used to support various programs of the Foundation.

Cash Equivalents

For purposes of the statements 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.

Medical Benevolence Foundation

Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Investment Return

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 statements 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 or decrease 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. Changes in interest in charitable gift annuities are reported in investment return as increases or decreases in unrestricted, temporarily restricted, or permanently restricted net assets based on donor restrictions at the time of the gift.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

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.

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.

Medical Benevolence Foundation Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation has determined there are no uncertain tax positions that require recognition or disclosure in the accompanying financial statements. As of June 30, 2017, management believes there were no uncertain tax positions.

Concentration of Credit Risk

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

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 statements of activities.

During fiscal year 2017 and 2016, the Foundation received 54% and 40%, respectively of its contributions from two donors.

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.

Medical Benevolence Foundation Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Recent Financial Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under this ASU, net assets will be presented in two classes: net assets with donor restrictions and net assets without donor restrictions. Underwater endowments will be included in net assets with donor restrictions and new or enhanced disclosures regarding the composition of net assets will be required. Disclosures regarding liquidity and availability of resources for general operating expenditures within one year of the date of the statement of financial position must also be presented. The ASU requires expenses to be presented by both nature and function, and investment return will be presented net of investment expenses. Absent specific donor stipulations, the Foundation will use the placed-in-service approach for reporting expirations of restrictions on long-lived assets. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of the Foundation's financial statements.

Subsequent Events

The Foundation has evaluated subsequent events through the date the financial statements were available for issuance on October 20, 2017. No matters were identified affecting the accompanying financial statements or disclosures.

NOTE 3: PRIOR PERIOD ADJUSTMENT

Mathematical errors were made in allocating indirect expenses to functional categories in the prior year. The correction has no effect on the results of activities for fiscal year 2016 or net assets as of June 30, 2016; however, the error resulted in over allocation of fundraising expense by \$228,655 and under allocation of administrative cost and mission expense by \$163,527 and \$65,128. Accordingly, the corrections have been made to the statement of activities for the year ended June 30, 2016.

Medical Benevolence Foundation Notes to Financial Statements

NOTE 4: 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.

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, bond securities (except for government agency obligations), 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 Foundation's level 2 investments in pooled funds by Texas Presbyterian Foundation consist of shares in common collective funds invested in a portfolio of investment vehicles managed by Texas Presbyterian Foundation. The fair values of these investments have been estimated using the net asset value per share of the investments. Texas Presbyterian Foundation provides an accounting of its transactions with respect to each account invested in its common funds on a periodic basis, usually quarterly, but in no event less often than annually. Contributions and withdrawals from each common fund are allowed monthly at the calculated net asset value.

Government agency bonds (Level 2) are valued based on recent trading activity for identical or similar instruments, broker dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Medical Benevolence Foundation Notes to Financial Statements

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

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, 2017:			
Balanced mutual funds	\$ 649,290	\$ -	\$ -
Pooled funds by Texas Presbyterian Foundation			
TPF Balanced Fund	-	515,295	-
TPF Emerging Markets Equity Fund	-	108,633	-
TPF International Equity Fund	-	345,442	-
TPF Large Cap Equity Fund	-	1,008,007	-
TPF Small Cap Equity Fund	-	477,064	-
Bond securities	1,616,215	-	-
Equity securities	809,543	-	-
Interest in charitable gift annuities	-	33,780	-
Total investments	\$ 3,075,048	\$ 2,488,221	\$ -
June 30, 2016:			
Balanced mutual funds	\$ 733,521	\$ -	\$ -
Pooled funds by Texas Presbyterian Foundation			
TPF Balanced Fund	-	472,062	-
TPF Emerging Markets Equity Fund	-	92,514	-
TPF International Equity Fund	-	295,056	-
TPF Large Cap Equity Fund	-	931,041	-
TPF Small Cap Equity Fund	-	381,847	-
Bond securities	1,631,848	-	-
Equity securities	1,165,375	-	-
Interest in charitable gift annuities	-	33,982	-
Total investments	\$ 3,530,744	\$ 2,206,502	\$ -

Medical Benevolence Foundation Notes to Financial Statements

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

The objective of TPF Balanced Fund is to produce a total rate of return from a blend of equity and fixed income securities, which provides a stable, predictable and growing source of income to participating institutions to support current programs while preserving the inflation-adjusted purchasing power of the principal over time.

TPF Emerging Markets Equity Fund seeks to provide enhanced long-term capital growth as part of a broadly diversified portfolio by investing in stocks of companies domiciled in countries with less developed economies, in regions such as Central and South America, Africa, Asia, and the former Soviet bloc.

TPF International Equity Fund seeks long-term growth of capital with no greater risk, but different performance characteristics, than a portfolio of high quality U.S. securities.

TPF Large Cap Equity Fund's goal over three to five year market cycles is to provide returns that exceed a market benchmark (the Russell 1000 Index) but with lower risk than the benchmark as measured by volatility of returns.

TPF Small Cap Equity Fund seeks to invest in the next generation of "blue chips", believing many companies with smaller capitalization have greater potential than larger companies to deliver above-average revenue and earnings growth.

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

<i>For the years ended June 30,</i>	2017	2016
Realized and unrealized gain/(loss) on investments	\$ 409,044	\$ (85,156)
Interest and dividends	141,663	98,794
Total investment return	\$ 550,707	\$ 13,638

NOTE 5: DESIGNATED NET ASSETS

The Board designates excess contributions to a reserve fund (Fund) for future operations of the Foundation. This Fund is held in a separate short term security account and the balance of this Fund will be the balance in the account. Earnings are to be used towards the operations of the Foundation. The balance of the Fund designated by the Board at June 30, 2017 and 2016 totaled \$240,431 and \$350,588, respectively.

Medical Benevolence Foundation Notes to Financial Statements

NOTE 6: RESTRICTIONS OF NET ASSETS

Temporarily restricted net assets are available for the following purposes:

<i>June 30,</i>	2017	2016
Worldwide medical missions	\$ 4,161,856	\$ 2,698,926
Accumulated undistributed earnings on endowment assets	904,679	549,108
Total temporarily restricted net assets	\$ 5,066,535	\$ 3,248,034

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:

<i>June 30,</i>	2017	2016
Lingenfelter Memorial Fund	\$ 227,072	\$ 227,072
Kikuyu Rehabilitation Center Endowment	222,620	221,803
Dan Force Endowment	150,570	150,570
Charles Thomas Harper Endowment	121,553	121,553
Indigenous Health Care Worker Education Fund	3,183,153	3,183,153
Friends of IMCK Endowment	303,361	260,357
Dan Alexander Dunaway Fund	434,188	434,188
Other	140,456	139,456
Total permanently restricted net assets	\$ 4,782,973	\$ 4,738,152

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. Investment return from the Friends of IMCK Endowment is for operations of the Institute Médicale Chrétien du Kasai (IMCK) and the Institute Superior Technique Médicale (ISTM). The investment return from the Dan Alexander Dunaway Fund is to be used to support medical missionaries.

Medical Benevolence Foundation Notes to Financial Statements

NOTE 7: 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 and temporarily restricted, or if the endowment assets are permanently restricted charitable gift annuities, then the net accumulations are classified as permanently restricted until the annuity has reached its term and been converted into cash

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 constrains.

Endowment funds by net asset classification are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2017				
Donor-Restricted endowment funds	\$ 113,366	\$ 904,679	\$ 4,782,973	\$ 5,801,018
June 30, 2016				
Donor-Restricted endowment funds	\$ 112,861	\$ 549,108	\$ 4,738,152	\$ 5,400,121

Medical Benevolence Foundation Notes to Financial Statements

NOTE 7: ENDOWMENT FUNDS (Continued)

Changes in Endowment Net Assets for the years ended June 30, 2017 and 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 30, 2015	\$ 139,132	\$ 705,947	\$ 4,729,548	\$ 5,574,627
Investment loss	(1,605)	(4,609)	(861)	(7,075)
Contributions	-	-	9,465	9,465
Amounts appropriated for expenditure	(24,666)	(152,230)	-	(176,896)
Endowment Net Assets, June 30, 2016	112,861	549,108	4,738,152	5,400,121
Investment income	11,349	509,471	-	520,820
Contributions	-	-	44,821	44,821
Amounts appropriated for expenditure	(10,844)	(153,900)	-	(164,744)
Endowment Net Assets, June 30, 2017	\$ 113,366	\$ 904,679	\$ 4,782,973	\$ 5,801,018

NOTE 8: CONTRIBUTED SERVICES AND MATERIALS

For the year ended June 30, 2016, the Foundation recorded \$1,220 in contributed services from various doctors of differing specialties, a software programmer, and a business professional which was included in contributions in the accompanying statements of activities in prior year. There were no contributed services recorded in 2017.

For the years ended June 30, 2017 and 2016, the Foundation recorded donated medical supplies and equipment of \$13,892,833 and \$603,259, respectively.

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 because the criteria for recognition have not been satisfied.

Medical Benevolence Foundation Notes to Financial Statements

NOTE 9: FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statements 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.

NOTE 10: 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 2017 and 2016, approximately \$12,000 and \$66,000, respectively, was remitted to PCUSA and recorded as worldwide medical missions' expense in these financial statements.

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, 2016, PCUSA has \$15,328 in Extra Commitment Opportunity Funds for the Foundation. There were no Extra Commitment Opportunity Funds outstanding for the Foundation as of June 30, 2017.

NOTE 11: OPERATING LEASES

The Foundation leases office space and office equipment through operating leases expiring through February 2024. Rental expense for all operating leases totaled approximately \$44,000 and \$51,000 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments under noncancellable operating leases are as follows:

<i>Year ending June 30,</i>	
2018	\$ 39,783
2019	42,250
2020	43,518
2021	44,785
2022	46,053
Thereafter	79,430
Total	\$ 295,819



Medical Benevolence Foundation Notes to Financial Statements

NOTE 12: 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 contribution of eligible employees' compensation (3% for 2017 and 2016) and a discretionary contribution (3% and 6% for 2017 and 2016, respectively). The participants are 100% vested in these contributions after two years. The Foundation's contributions to this plan totaled approximately \$25,000 and \$49,000 in 2017 and 2016, respectively.