



# **Medical Benevolence Foundation**

## **FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**



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## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Medical Benevolence Foundation  
Houston, Texas

### **Opinion**

We have audited the accompanying financial statements of Medical Benevolence Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these 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 Foundation'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 Foundation'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 Foundation'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.

*Carly Riggs & Ingram, L.L.C.*

Houston, Texas  
October 21, 2021

**Medical Benevolence Foundation**  
**Statements of Financial Position**

<i>June 30,</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,776,152	\$ 3,830,047
Receivables	82,412	1,300
Prepaid expenses and other assets	45,036	14,075
Cash and cash equivalents - restricted for endowment	194,046	138,688
Investments	10,627,982	7,156,860
<b>Total assets</b>	<b>\$ 14,725,628</b>	<b>\$ 11,140,970</b>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 324,251	\$ 222,060
Refundable advance - PPP	-	182,300
<b>Total Liabilities</b>	<b>324,251</b>	<b>404,360</b>
Commitments and contingencies		
<b>Net assets</b>		
Without donor restrictions	3,475,235	1,519,985
With donor restrictions	10,926,142	9,216,625
<b>Total net assets</b>	<b>14,401,377</b>	<b>10,736,610</b>
<b>Total liabilities and net assets</b>	<b>\$ 14,725,628</b>	<b>\$ 11,140,970</b>

*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>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2021 Total</b>
<b>Revenues</b>			
Contributions	\$ 3,226,892	\$ 1,059,021	\$ 4,285,913
Contributions of medical supplies and equipment	1,747,846	-	1,747,846
Government grant	320,369	-	320,369
Government grant - PPP	182,300	-	182,300
Investment income	80,816	1,702,107	1,782,923
Other income	10,001	-	10,001
Net assets released from restrictions			
Expenditures for program purposes	1,051,611	(1,051,611)	-
<b>Total revenues</b>	<b>6,619,835</b>	<b>1,709,517</b>	<b>8,329,352</b>
<b>Expenses</b>			
Program services			
Worldwide medical missions	1,051,591	-	1,051,591
Supplies and equipment	1,754,466	-	1,754,466
Grants for medical missions	335,729	-	335,729
Mission education	443,975	-	443,975
<b>Total program services</b>	<b>3,585,761</b>	<b>-</b>	<b>3,585,761</b>
Supporting services			
General and administrative	661,329	-	661,329
Fundraising	417,495	-	417,495
<b>Total supporting services</b>	<b>1,078,824</b>	<b>-</b>	<b>1,078,824</b>
<b>Total expenses</b>	<b>4,664,585</b>	<b>-</b>	<b>4,664,585</b>
<b>Changes in net assets</b>	<b>1,955,250</b>	<b>1,709,517</b>	<b>3,664,767</b>
<b>Net assets, beginning of year</b>	<b>1,519,985</b>	<b>9,216,625</b>	<b>10,736,610</b>
<b>Net assets, end of year</b>	<b>\$ 3,475,235</b>	<b>\$ 10,926,142</b>	<b>\$ 14,401,377</b>

*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>	Without Donor Restrictions	With Donor Restrictions	2020 Total
<b>Revenues</b>			
Contributions	\$ 2,057,152	\$ 920,731	\$ 2,977,883
Contributions of medical supplies and equipment	2,799,942	-	2,799,942
Investment income	54,015	231,774	285,789
Net assets released from restrictions			
Expenditures for program purposes	1,850,222	(1,850,222)	-
<b>Total revenues</b>	<b>6,761,331</b>	<b>(697,717)</b>	<b>6,063,614</b>
<b>Expenses</b>			
Program services			
Worldwide medical missions	1,850,220	-	1,850,220
Supplies and equipment	2,806,734	-	2,806,734
Grants for medical missions	13,587	-	13,587
Mission education	390,180	-	390,180
<b>Total program services</b>	<b>5,060,721</b>	<b>-</b>	<b>5,060,721</b>
Supporting services			
General and administrative	712,453	-	712,453
Fundraising	361,571	-	361,571
<b>Total supporting services</b>	<b>1,074,024</b>	<b>-</b>	<b>1,074,024</b>
<b>Total expenses</b>	<b>6,134,745</b>	<b>-</b>	<b>6,134,745</b>
<b>Changes in net assets</b>	<b>626,586</b>	<b>(697,717)</b>	<b>(71,131)</b>
<b>Net assets, beginning of year</b>	<b>893,399</b>	<b>9,914,342</b>	<b>10,807,741</b>
<b>Net assets, end of year</b>	<b>\$ 1,519,985</b>	<b>\$ 9,216,625</b>	<b>\$ 10,736,610</b>

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

## Medical Benevolence Foundation Statement of Functional Expenses

For the year ended June 30, 2021

	Program Services					Supporting Services			Total Supporting Services	2021 Total
	Worldwide Medical Missions	Supplies and Equipment	Grants for Medical Missions	Mission Education	Total Program Services	General and Administrative	Fundraising			
Salaries and benefits	\$ 319,286	\$ 6,024	\$ 12,048	\$ 284,128	\$ 621,486	\$ 401,530	\$ 260,031	\$ 661,561	\$ 1,283,047	
Occupancy	2,727	33	65	1,661	4,486	52,459	1,530	53,989	58,475	
Travel, conferences and meetings	40,385	392	783	17,569	59,129	12,438	16,002	28,440	87,569	
International partner support	549,107	-	-	-	549,107	-	-	-	549,107	
Professional and contract services	78,459	58	322,607	100,308	501,432	142,670	100,075	242,745	744,177	
Equipment and supplies	16,370	1,747,846	3	1,402	1,765,621	11,272	1,396	12,668	1,778,289	
Printing, shipping and supplies	38,177	83	163	38,264	76,687	25,165	37,938	63,103	139,790	
Dues, fees and other	7,080	30	60	643	7,813	15,795	523	16,318	24,131	
<b>Total expenses</b>	<b>\$ 1,051,591</b>	<b>\$ 1,754,466</b>	<b>\$ 335,729</b>	<b>\$ 443,975</b>	<b>\$ 3,585,761</b>	<b>\$ 661,329</b>	<b>\$ 417,495</b>	<b>\$ 1,078,824</b>	<b>\$ 4,664,585</b>	

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



## Medical Benevolence Foundation Statement of Functional Expenses

For the year ended June 30, 2020

	Program Services					Supporting Services			Total Supporting Services	2020 Total
	Worldwide Medical Missions	Supplies and Equipment	Grants for Medical Missions	Mission Education	Total Program Services	General and Administrative	Fundraising			
Salaries and benefits	\$ 320,797	\$ 5,908	\$ 11,817	\$ 249,969	\$ 588,491	\$ 389,122	\$ 226,336	\$ 615,458	\$ 1,203,949	
Occupancy	3,134	53	106	931	4,224	56,132	720	56,852	61,076	
Travel, conferences and meetings	47,878	656	1,312	30,933	80,779	36,617	26,866	63,483	144,262	
International partner support	1,384,640	-	-	-	1,384,640	-	-	-	1,384,640	
Professional and contract services	14,325	97	195	59,370	73,987	171,405	58,981	230,386	304,373	
Equipment and supplies	25,786	2,799,944	5	2,418	2,828,153	17,650	2,409	20,059	2,848,212	
Printing, shipping and supplies	42,990	76	152	46,197	89,415	26,650	45,893	72,543	161,958	
Dues, fees and other	10,670	-	-	362	11,032	14,877	366	15,243	26,275	
<b>Total expenses</b>	<b>\$ 1,850,220</b>	<b>\$ 2,806,734</b>	<b>\$ 13,587</b>	<b>\$ 390,180</b>	<b>\$ 5,060,721</b>	<b>\$ 712,453</b>	<b>\$ 361,571</b>	<b>\$ 1,074,024</b>	<b>\$ 6,134,745</b>	

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>	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Changes in net assets	\$ 3,664,767	\$ (71,131)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions restricted for endowments	(211,896)	(140,142)
Net unrealized and realized gain on investments	(1,521,968)	(59,546)
(Gain) loss on beneficial interests in charitable gift annuities	(10,778)	414
Changes in operating assets and liabilities		
Receivables	(81,112)	-
Prepaid expenses and other assets	(30,961)	211
Accounts payable and accrued expenses	102,191	145,492
Refundable advance - PPP	(182,300)	182,300
<b>Net cash provided by operating activities</b>	<b>1,727,943</b>	<b>57,598</b>
<b>Investing activities</b>		
Purchase of investments	(2,190,522)	(426,051)
Sales of investments	252,146	88,623
Distributions from charitable gift annuities	-	3,982
<b>Net cash used in investing activities</b>	<b>(1,938,376)</b>	<b>(333,446)</b>
<b>Financing activities</b>		
Proceeds from contributions restricted for endowments	211,896	140,142
<b>Net change in cash, cash equivalents, and restricted cash</b>	<b>1,463</b>	<b>(135,706)</b>
<b>Cash, cash equivalents, and restricted cash, beginning of year</b>	<b>3,968,735</b>	<b>4,104,441</b>
<b>Cash, cash equivalents, and restricted cash, end of year</b>	<b>\$ 3,970,198</b>	<b>\$ 3,968,735</b>
<b>Reconciliation of cash, cash equivalents, and restricted cash to amounts reported in the statements of financial position</b>		
Cash and cash equivalents	\$ 3,776,152	\$ 3,830,047
Cash and cash equivalents - restricted for endowment	194,046	138,688
<b>Total cash, cash equivalents, and restricted cash</b>	<b>\$ 3,970,198</b>	<b>\$ 3,968,735</b>

*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**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

#### ***Use of Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

#### ***Restricted Cash***

Amounts included in restricted cash represent cash held in endowment accounts.

#### ***Receivables***

Receivables primarily represent grants from a federal agency. An allowance for doubtful accounts is provided for when it is believed they will not be collected in full. In evaluating the collectability of the receivable balance, the Foundation uses a combination of historical loss experience and an agency analysis of the outstanding balance. For the years ended June 30, 2021 and 2020, management did not record an allowance for doubtful accounts. Receivables totaling \$82,412 and \$1,300 as of June 30, 2021 and 2020, respectively, are expected to be collected within the next twelve months.

## Medical Benevolence Foundation Notes to Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Promises to Give*

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates may be written off by management unless the donors indicate that payment is merely postponed.

#### *Investments and Investment Return*

The Foundation reports investments in equity securities and mutual funds with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Interest in charitable gift annuities is valued at the present value of the estimated expected future benefits. The fair values in pooled funds have been estimated using the net asset value per share of the investments. Marketable securities donated to the Foundation are recorded at fair value on the date of donation.

Investment return includes interest, dividends, realized and unrealized gains and losses and are included in the change in net assets in the accompanying statements of activities. Investment return whose use is restricted by donors are reported as increases or decreases in net assets with donor restrictions until expended in accordance with the donor imposed restrictions (stipulated time period ends, or a purpose restriction is accomplished).

Changes in interest in charitable gift annuities are reported in investment return as increases or decreases in net assets without donor restrictions or net assets with donor restrictions based on donor restrictions at the time of the gift.

#### **Net Assets**

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

## Medical Benevolence Foundation Notes to Financial Statements

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

#### ***Revenue Recognition***

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

The Foundation's grants and contracts from government agencies represent benefits received as a result of the assets transferred and is not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Grants and contracts received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. Funds received from non-exchange transactions in advance of barriers being met are recorded as refundable advances.

#### ***Donated Materials and Services***

Donated medical supplies and equipment are recorded at fair value as contributions without donor restriction 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.

#### ***Functional Allocation of Expenses***

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Costs identifiable to a program or supporting service, such as international partner support, professional and contract services, and equipment and supplies expenses, are charged directly to that particular service. Shared costs are allocated amongst the various programs and supporting services. Personnel expenses are allocated on the basis of estimates of time and effort. Remaining expenses are allocated based usage of benefits.

## Medical Benevolence Foundation Notes to Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Income Tax***

Under section 501(c)(3) of the Internal Revenue Code, the Foundation is exempt from taxes on income other than unrelated business income.

The Foundation utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2021 and 2020, the Foundation has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

#### ***Subsequent Events***

The Foundation has evaluated subsequent events through the date the financial statements were available to be issued, October 21, 2021, and has not identified any subsequent events to disclose. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

#### ***Future Accounting Pronouncements***

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the impact of the guidance on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update apply to Not-for-Profit entities that receive contributed nonfinancial assets. Under the guidance, entities are required to (1) present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets and certain qualitative information. This new guidance is required to be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the impact of the guidance on its financial statements.

## Medical Benevolence Foundation Notes to Financial Statements

### Note 3: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's endowment funds consist of donor-restricted endowments as well as income from those funds. Income from certain donor-restricted endowments is restricted for specific purposes until appropriated and, therefore, may not be available for general expenditures. Where income from endowment funds is not restricted, those balances can be immediately transferred to be used for general expenditure.

The Foundation regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, receivables and investments. The Foundation strives to maintain liquidity in assets sufficient to cover 90 days of general expenditures.

The Foundation's financial assets due within one year of the statements of financial position dates for general expenditures consist of the following:

<i>June 30,</i>	<b>2021</b>	2020
Cash and cash equivalents	\$ 3,776,152	\$ 3,830,047
Cash and cash equivalents - restricted for endowment	194,046	138,688
Receivables	82,412	1,300
Investments	10,627,982	7,156,860
Less: donor-imposed restrictions making financial assets unavailable for general expenditure	<b>(10,926,142)</b>	(9,216,625)
<b>Total financial assets</b>	<b>\$ 3,754,450</b>	<b>\$ 1,910,270</b>

### Note 4: INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (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. There are three levels of inputs that may be used to measure fair values:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

*Level 2:* Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
  - observable; or
  - can be corroborated by observable market data.

## Medical Benevolence Foundation Notes to Financial Statements

### Note 4: INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

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. These are valued at the closing price reported on the active market on which the individual securities are traded.

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.

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 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 in pooled funds 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.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.



## Medical Benevolence Foundation Notes to Financial Statements

### Note 4: INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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

	Market Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3	Net Asset Value
<b>June 30, 2021:</b>				
Balanced mutual funds	\$ 1,768,026	\$ -	\$ -	\$ -
Pooled funds by Texas Presbyterian Foundation				
TPF Balanced Fund	-	-	-	697,777
TPF Emerging Markets Equity Fund	-	-	-	131,013
TPF International Equity Fund	-	-	-	396,596
TPF Large Cap Equity Fund	-	-	-	1,887,411
TPF Small Cap Equity Fund	-	-	-	886,689
Bond securities	4,179,532	-	-	-
Equity securities	633,297	-	-	-
Interest in charitable gift annuities	-	47,641	-	-
<b>Total investments</b>	<b>\$ 6,580,855</b>	<b>\$ 47,641</b>	<b>\$ -</b>	<b>\$ 3,999,486</b>
<b>June 30, 2020:</b>				
Balanced mutual funds	\$ 1,272,370	\$ -	\$ -	\$ -
Pooled funds by Texas Presbyterian Foundation				
TPF Balanced Fund	-	-	-	558,953
TPF Emerging Markets Equity Fund	-	-	-	90,955
TPF International Equity Fund	-	-	-	309,389
TPF Large Cap Equity Fund	-	-	-	1,345,823
TPF Small Cap Equity Fund	-	-	-	613,439
Bond securities	2,317,460	200,000	-	-
Equity securities	411,608	-	-	-
Interest in charitable gift annuities	-	36,863	-	-
<b>Total investments</b>	<b>\$ 4,001,438</b>	<b>\$ 236,863</b>	<b>\$ -</b>	<b>\$ 2,918,559</b>

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.

## Medical Benevolence Foundation Notes to Financial Statements

### **Note 4: INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

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.

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

### **Note 5: REFUNDABLE ADVANCE – PPP LOAN**

In April 2020, the Foundation received a loan in the amount of \$182,300 under the Paycheck Protection Program (PPP) pursuant to the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and administered by the U.S. Small Business Administration (SBA). The PPP provides for forgivable loans to qualifying organizations. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll costs, rent and utilities and the borrower maintains specified levels of payroll and employment.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% at the terms of repayment established by the lender. Monthly principal and interest payments on the loan commence on the date the SBA remits the borrower's loan forgiveness amount to the lender or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period through the loan maturity date of April 2022.

The Foundation is recognizing revenue from the PPP loan following the guidance under FASB ASC 958-605, government grant model. PPP loans are considered a conditional contribution and recorded as a refundable advance on the statements of financial position until the barriers to entitlement are met. The Foundation considers the barriers to be incurrence of eligible costs, maintaining specified levels of payroll and employment, and forgiveness of the loan by SBA. Revenue is recognized once conditions have been substantially met or explicitly waived. As of June 30, 2020, PPP loan funds were recorded as a refundable advance on the statements of financial position.

The Foundation used the PPP loan funds for its payroll and benefits costs, rent, and utilities, purposes consistent with the PPP. In November 2020, the Foundation received notification from the SBA that the PPP loan and accrued interest was forgiven. As a result, \$182,300 has been recognized as revenue in the accompanying statements of activities for the year ended June 30, 2021.

## Medical Benevolence Foundation Notes to Financial Statements

### Note 6: DESIGNATED NET ASSETS

The Board designates excess contributions to a reserve fund (Fund) for future operations of the Foundation. Earnings are to be used towards the operations of the Foundation. The balance of the Fund designated by the Board totaled \$602,000 at June 30, 2021 and 2020.

### Note 7: RESTRICTIONS OF NET ASSETS

Net assets with donor restrictions, including net assets required to be maintained in perpetuity, are as follows:

<i>June 30,</i>	<b>2021</b>	<b>2020</b>
<b>Purpose restricted</b>		
Worldwide medical missions	\$ 2,722,376	\$ 2,740,466
Accumulated undistributed earnings on endowment assets	<b>2,931,670</b>	1,421,266
<b>Total purpose restricted</b>	<b>5,654,046</b>	4,161,732
<b>Perpetual in nature</b>		
Lingenfelter Memorial Fund	<b>227,072</b>	227,072
Kikuyu Rehabilitation Center Endowment	<b>222,620</b>	222,620
Dan Force Endowment	<b>150,570</b>	150,570
Charles Thomas Harper Endowment	<b>121,554</b>	121,554
Indigenous Health Care Worker Education Fund	<b>3,183,153</b>	3,183,153
Friends of IMCK Endowment	<b>735,278</b>	555,934
Dan Alexander Dunaway Fund	<b>434,188</b>	434,188
Other	<b>197,661</b>	159,802
<b>Total perpetual in nature</b>	<b>5,272,096</b>	5,054,893
<b>Total with donor restrictions</b>	<b>\$ 10,926,142</b>	\$ 9,216,625

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 8: 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 net assets with donor restrictions – perpetual in nature the original value of the gifts donated to the perpetually restricted endowment. The net accumulations to the endowment assets are classified as without donor restrictions or with donor restrictions, or if the endowment assets are with restrictions – perpetual in nature charitable gift annuities, then the net accumulations are classified as restrictions – perpetual in nature 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. Management 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 diversified 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:

	Without Donor Restrictions	With Donor Restrictions	Total
<b>June 30, 2021</b>			
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	\$ -	\$ 5,272,096	\$ 5,272,096
Accumulated investment gains	137,909	2,931,670	3,069,579
	\$ 137,909	\$ 8,203,766	\$ 8,341,675
<b>June 30, 2020</b>			
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	\$ -	\$ 5,054,893	\$ 5,054,893
Accumulated investment gains	103,586	1,421,266	1,524,852
	\$ 103,586	\$ 6,476,159	\$ 6,579,745

## Medical Benevolence Foundation Notes to Financial Statements

### Note 8: ENDOWMENT FUNDS (Continued)

Changes in endowment net assets for the years ended June 30, 2021 and 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, June 30, 2019	\$ 103,142	\$ 6,260,559	\$ 6,363,701
Investment income	6,184	231,774	237,958
Contributions	-	140,142	140,142
Amounts appropriated for expenditure	(5,740)	(156,316)	(162,056)
Endowment Net Assets, June 30, 2020	103,586	6,476,159	6,579,745
Investment income	44,256	1,702,107	1,746,363
Contributions	-	211,896	211,896
Amounts appropriated for expenditure	(9,933)	(186,396)	(196,329)
Endowment Net Assets, June 30, 2021	\$ 137,909	\$ 8,203,766	\$ 8,341,675

### Note 9: FEDERAL GOVERNMENTAL FUNDING

The Foundation entered into an American Schools and Hospitals Abroad (ASHA) grant contract with United States Agency for International Development (USAID) to fund construction of a nursing school abroad. The contract provides that USAID will reimburse allowable expenses of the program up to the contract amount of \$700,000.

Revenue provided by USAID under the ASHA grant totaled \$320,369 for the year ended June 30, 2021. No revenue was recognized under the grant in 2020. Construction of the nursing school is estimated to complete by December 31, 2021. ASHA grant award totaling \$378,692 and \$699,061 has not been recognized as revenues at June 30, 2021 and 2020, respectively, because the qualifying expenditures have not yet been incurred.

The ASHA grant requires fulfillment of certain conditions as set forth in the grant contract and is subject to review and audit by USAID. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, USAID may, at its discretion, request reimbursement for expenses or return of funds as a result of noncompliance by the Foundation with the terms of the contract. Management believes such disallowances, if any, would not be material to the Foundation's financial position or changes in net assets. Additionally, performance under the grant is reviewed annually by USAID and future reimbursements are dependent upon performance under the grant.

## Medical Benevolence Foundation Notes to Financial Statements

### Note 10: CONTRIBUTED SERVICES AND MATERIALS

For the years ended June 30, 2021 and 2020, the Foundation recorded donated medical supplies and equipment of \$1,747,846 and \$2,799,942, 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.

### Note 11: CONCENTRATIONS 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.

The Foundation maintains investment accounts with a brokerage firm and an investment manager who utilizes third party brokerage firms as the custodian of funds invested with them. The accounts contain cash and securities. Balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation (SIPC) for investments held with the brokerage firm. Investments with the investment manager are also insured under the SIPC through the third party custodian of the investments.

During the year ended June 30, 2021, the Foundation received 49% of its cash contributions from two donors. During the year ended June 30, 2020, the Foundation received 34% of its cash contributions from three donors.

### Note 12: OPERATING LEASES

The Foundation leases office space and office equipment through operating leases expiring through February 2024. Rental expense totaled approximately \$54,000 and \$57,000 for the years ended June 30, 2021 and 2020, respectively. Future minimum lease payments under noncancellable operating leases are as follows:

<i>Year ending June 30,</i>	
2022	\$ 46,053
2023	47,320
2024	32,110
Total	\$ 125,483

## Medical Benevolence Foundation Notes to Financial Statements

### **Note 13: EMPLOYEE BENEFIT PLAN**

The Foundation maintains a 401(k) retirement plan. This plan is open to full-time employees of the Foundation. The participants are 100% vested in these contributions immediately. Under the plan, the Foundation matches employee contributions subject to certain limitations. The Foundation's contributions to this plan totaled approximately \$38,000 and \$30,000 for the years ended June 30, 2021 and 2020, respectively.

### **Note 14: UNCERTAINTIES**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel Coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Foundation. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial and stock markets, and (v) the effects on the economy overall, all of which are uncertain.