



MEDICAL BENEVOLENCE FOUNDATION

Financial Statements
With Independent Auditors' Report

June 30, 2023 and 2022

MEDICAL BENEVOLENCE FOUNDATION

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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, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Medical Benevolence Foundation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Medical Benevolence 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 Medical Benevolence Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Trustees
Medical Benevolence Foundation
Houston, Texas

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 Medical Benevolence 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 Medical Benevolence 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 audits.

Capin Crouse LLP

Colorado Springs, Colorado
October 25, 2023

MEDICAL BENEVOLENCE FOUNDATION

Statements of Financial Position

	June 30,	
	<u>2023</u>	<u>2022</u>
ASSETS:		
Cash and cash equivalents	\$ 409,624	\$ 1,494,037
Investments	11,663,022	9,655,289
Pledges and grants receivable	156,015	362,399
Prepaid expenses and other assets	67,356	34,371
Board designated cash	384,080	602,000
Board designated investments	217,920	-
Cash restricted for long-term purposes	25,000	47,561
Intangible assets	136,386	33,586
Assets held for another organization	1,465,003	1,291,914
	<u> </u>	<u> </u>
Total Assets	<u>\$ 14,524,406</u>	<u>\$ 13,521,157</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	\$ 631,613	\$ 227,661
Amounts due to another organization	1,465,003	1,291,914
Total liabilities	<u>2,096,616</u>	<u>1,519,575</u>
Net assets:		
Without donor restrictions	2,438,688	2,708,219
With donor restrictions	9,989,102	9,293,363
Total net assets	<u>12,427,790</u>	<u>12,001,582</u>
Total liabilities and net assets	<u>\$ 14,524,406</u>	<u>\$ 13,521,157</u>

See notes to financial statements

MEDICAL BENEVOLENCE FOUNDATION

Statements of Activities

	Year Ended June 30,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 1,804,910	\$ 2,165,978	\$ 3,970,888	\$ 1,100,016	\$ 2,264,228	\$ 3,364,244
Contributed medical supplies and equipment	2,809,000	-	2,809,000	3,090,004	-	3,090,004
Government grants	14,687	-	14,687	365,758	-	365,758
Investment gain (loss)	239,104	545,862	784,966	(449,155)	(885,232)	(1,334,387)
Other income	31,975	-	31,975	92,908	-	92,908
Total Support and Revenue	4,899,676	2,711,840	7,611,516	4,199,531	1,378,996	5,578,527
NET ASSETS RELEASED:						
Administrative assessments	315,396	(315,396)	-	283,983	(283,983)	-
Purpose and time restrictions	1,700,705	(1,700,705)	-	1,624,769	(1,624,769)	-
	2,016,101	(2,016,101)	-	1,908,752	(1,908,752)	-
EXPENSES:						
Program services:						
Worldwide medical missions:						
Donations of supplies and equipment	2,809,000	-	2,809,000	3,097,940	-	3,097,940
International partner support	1,178,690	-	1,178,690	1,013,963	-	1,013,963
Salaries and benefits	431,051	-	431,051	347,440	-	347,440
Government grants	14,687	-	14,687	393,523	-	393,523
Other	550,447	-	550,447	235,713	-	235,713
	4,983,875	-	4,983,875	5,088,579	-	5,088,579
Mission education	648,954	-	648,954	484,406	-	484,406
	5,632,829	-	5,632,829	5,572,985	-	5,572,985
Supporting activities:						
General and administrative	937,739	-	937,739	848,585	-	848,585
Fundraising	614,740	-	614,740	452,661	-	452,661
	1,552,479	-	1,552,479	1,301,246	-	1,301,246
Total Expenses	7,185,308	-	7,185,308	6,874,231	-	6,874,231
Change in Net Assets	(269,531)	695,739	426,208	(765,948)	(529,756)	(1,295,704)
Net Assets, Beginning of Year	2,708,219	9,293,363	12,001,582	3,474,167	9,823,119	13,297,286
Net Assets, End of Year	\$ 2,438,688	\$ 9,989,102	\$ 12,427,790	\$ 2,708,219	\$ 9,293,363	\$ 12,001,582

See notes to financial statements

MEDICAL BENEVOLENCE FOUNDATION

Statement of Functional Expenses

	Year Ended June 30, 2023						
	Program Activities			Supporting Activities			
	Worldwide Medical Missions	Mission Education	Total Program Activities	General and Administrative	Fundraising	Total Supporting Activities	Total Expenses
Donations of supplies and equipment	\$ 2,809,000	\$ -	\$ 2,809,000	\$ -	\$ -	\$ -	\$ 2,809,000
Salaries and benefits	431,051	376,307	807,358	498,808	349,933	848,741	1,656,099
International partner support	1,178,690	-	1,178,690	-	-	-	1,178,690
Professional & contract services	246,283	195,801	442,084	211,310	195,681	406,991	849,075
Travel, conferences, & meetings	188,029	57,950	245,979	67,134	50,942	118,076	364,055
Equipment & maintenance	75,599	666	76,265	28,838	666	29,504	105,769
Occupancy	1,782	2,831	4,613	64,988	2,689	67,677	72,290
Printing, postage, shipping, & supplies	24,235	14,781	39,016	17,818	14,561	32,379	71,395
Dues, fees, & other	14,519	618	15,137	48,843	268	49,111	64,248
Government grants	14,687	-	14,687	-	-	-	14,687
	<u>\$ 4,983,875</u>	<u>\$ 648,954</u>	<u>\$ 5,632,829</u>	<u>\$ 937,739</u>	<u>\$ 614,740</u>	<u>\$ 1,552,479</u>	<u>\$ 7,185,308</u>
	<u>69%</u>	<u>9%</u>	<u>78%</u>	<u>13%</u>	<u>9%</u>	<u>22%</u>	<u>100%</u>

See notes to financial statements

MEDICAL BENEVOLENCE FOUNDATION

Statement of Functional Expenses

	Year Ended June 30, 2022						
	Program Activities			Supporting Activities			
	Worldwide Medical Missions	Mission Education	Total Program Activities	General and Administrative	Fundraising	Total Supporting Activities	Total Expenses
Donations of supplies and equipment	\$ 3,097,940	\$ -	\$ 3,097,940	\$ -	\$ -	\$ -	\$ 3,097,940
Salaries and benefits	347,440	321,897	669,337	550,331	296,073	846,404	1,515,741
International partner support	1,013,963	-	1,013,963	-	-	-	1,013,963
Professional & contract services	90,848	99,567	190,415	141,336	99,325	240,661	431,076
Travel, conferences, & meetings	84,351	40,787	125,138	49,242	35,796	85,038	210,176
Equipment & maintenance	9,619	311	9,930	9,434	306	9,740	19,670
Occupancy	4,413	2,261	6,674	53,566	2,130	55,696	62,370
Printing, postage, shipping, & supplies	37,209	19,292	56,501	20,810	18,966	39,776	96,277
Dues, fees, & other	9,273	291	9,564	23,866	65	23,931	33,495
Government grants	393,523	-	393,523	-	-	-	393,523
	<u>\$ 5,088,579</u>	<u>\$ 484,406</u>	<u>\$ 5,572,985</u>	<u>\$ 848,585</u>	<u>\$ 452,661</u>	<u>\$ 1,301,246</u>	<u>\$ 6,874,231</u>
	<u>74%</u>	<u>7%</u>	<u>81%</u>	<u>12%</u>	<u>7%</u>	<u>19%</u>	<u>100%</u>

See notes to financial statements

MEDICAL BENEVOLENCE FOUNDATION

Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 426,208	\$ (1,295,704)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	8,000	-
Realized and unrealized investment (gains) losses	(560,645)	1,501,216
Change in value of annuities	217	12,082
Cash contributions restricted for endowments	(11,213)	(96,220)
Reinvestment of interest	(236,966)	(166,829)
Changes in operating assets and liabilities:		
Pledges and grants receivable	206,384	(143,146)
Prepaid expenses and other assets	(32,985)	8,579
Assets held for another organization	(173,089)	(50,982)
Accounts payable and other liabilities	353,952	(96,590)
Amounts due to another organization	173,089	50,982
Net Cash Provided (Used) by Operating Activities	152,952	(276,612)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,816,861)	(2,560,846)
Proceeds from sale of investments	1,388,602	1,140,184
Purchases of intangible assets	(60,800)	(31,500)
Net Cash Used by Investing Activities	(1,489,059)	(1,452,162)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for endowments	11,213	96,220
Net Cash Provided by Financing Activities	11,213	96,220
Net Change in Cash and Cash Equivalents, Board Designated Cash, and Cash Restricted for Long-term Purposes, Beginning of Year	(1,324,894)	(1,632,554)
Cash and Cash Equivalents, Board Designated Cash, and Cash Restricted for Long-term Purposes, Beginning of Year	2,143,598	3,776,152
Cash and Cash Equivalents, Board Designated Cash, and Cash Restricted for Long-term Purposes, End of Year	\$ 818,704	\$ 2,143,598
CASH AND CASH EQUIVALENTS, BOARD DESIGNATED CASH, AND CASH RESTRICTED FOR LONG-TERM PURPOSES CONSISTS OF:		
Cash and cash equivalents	\$ 409,624	\$ 1,494,037
Board designated cash	384,080	602,000
Cash restricted for long-term purposes	25,000	47,561
	\$ 818,704	\$ 2,143,598
NON-CASH TRANSACTION:		
Purchases of intangible assets through accounts payable	\$ 50,000	\$ -

See notes to financial statements

MEDICAL BENEVOLENCE FOUNDATION

Notes to Financial Statements

June 30, 2023 and 2022

1. NATURE OF ORGANIZATION:

Medical Benevolence Foundation (MBF) is a Tennessee nonprofit corporation founded in 1963. It is an international Christ-centered organization whose focus is to transform lives by building sustainable medical ministries to support hospitals, clinics and nursing schools in developing countries. MBF builds long-term partnerships to equip the local church in each country with the tools and resources that enable them to meet their respective community's needs and share God's good news. MBF receives gifts from contributors throughout the United States of America.

MBF is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, MBF is subject to federal income tax on any unrelated business taxable income. In addition, MBF is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

MBF maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and all highly liquid investments with an original maturity of 90 days or less. As of June 30, 2023 and 2022, MBF has cash and cash equivalents on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$471,000 and \$1,095,000, respectively.

Cash restricted for long-term purposes consists of cash contributions received that are restricted in perpetuity for endowment funds.

INVESTMENTS

Investments held by MBF as of June 30, 2023 and 2022 consist primarily of mutual funds, exchange-traded funds, debt securities, certificates of deposit, and pooled funds. All investments with readily determinable fair values are recorded at fair market value. Certificates of deposit are recorded at contract value. The fair values in pooled funds have been estimated using the net asset value per share of the investments. Also included in investments are charitable gift annuities, which are valued at the present value of the estimated expected future benefits. Marketable securities donated to the Foundation are recorded at fair value on the date of donation.

MEDICAL BENEVOLENCE FOUNDATION

Notes to Financial Statements

June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS, continued

Realized and unrealized gains or losses in fair value are recognized in the year in which they occur and are reflected in the statements of activities. Interest and dividend income is recorded on the statements of activities when it is earned. Changes in interest in charitable gift annuities are reported in investment income as increases or decreases in net assets with donor restrictions.

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of MBF's investments and total net assets balance could fluctuate materially.

PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable consist of contributions and grants receivable from other organizations. MBF records an allowance for doubtful accounts when it is believed receivables will not be collected in full. In evaluating the collectability of accounts receivable, MBF uses a combination of historical loss experience and an agency analysis of the outstanding balance. For the years ended June 30, 2023 and 2022, management did not record an allowance for doubtful accounts. Pledges and grants receivable expected to be collected in future years are recorded at the present value of their estimated future cash flows. Pledges and grants receivable are expected to be received as follows:

	June 30,	
	2023	2022
Less than one year	\$ 70,978	\$ 292,399
One to five years	85,037	70,000
	<u>\$ 156,015</u>	<u>\$ 362,399</u>

MBF is occasionally awarded government grants, and MBF must incur specific expenses outlined in the grant agreements in order to recognize revenue. Therefore, revenue has not been recorded as a grant receivable related to these agreements because it is conditional upon future events.

INTANGIBLE ASSETS

MBF's intangible assets consist of a website, a database, and web domain that was placed into service on June 30, 2023. The website and database have useful lives of three years. MBF has determined that the web domain, which was capitalized at original cost of \$9,586, has an indefinite life and will not be amortized.

MEDICAL BENEVOLENCE FOUNDATION

Notes to Financial Statements

June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ASSETS HELD FOR ANOTHER ORGANIZATION

MBF receives contributions for Friends of IMCK (FIMCK), an unrelated organization with a similar mission as MBF. Per the agreement between MBF and FIMCK, MBF does not have variance power over the funds received on behalf of FIMCK. MBF holds the funds received in cash and investment accounts until directed by FIMCK to distribute the funds to another organization that both FIMCK and MBF support. A corresponding liability is recorded in the statements of financial position.

CLASSES OF NET ASSETS

The net assets of MBF are reported in the following classes:

Net assets without donor restrictions are those currently available at the discretion of the board for use in MBF's operations, as well as resources currently invested in intangible assets.

Net assets with donor restrictions include 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 endowment funds to be maintained in perpetuity.

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when cash and other assets are received or when unconditionally promised. MBF reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the contributed amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. All contributions are considered available for use without donor restrictions unless specifically restricted by the donor.

Contributed medical supplies and equipment are recognized as revenue in the statements of activities when received, and they are valued at their estimated fair market values as of the date of receipt. Estimated fair market value is based on market sources and inputs using an exit price notion. When the contributed medical supplies and equipment are utilized, an expense equal to the original value recorded is recorded in the statements of activities.

MEDICAL BENEVOLENCE FOUNDATION

Notes to Financial Statements

June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued

MBF met the requirements for eligibility for the 2021 Employee Retention Credit (ERC). MBF calculated total credits of \$216,095 based on qualified wages and filed the Form 941-X to claim the credits. Laws and regulations concerning government programs, including the ERC, established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge MBF's claims to the ERC, and it is not possible to determine the impact (if any) this would have upon MBF. As of June 30, 2022, a receivable of \$216,095 representing the 2021 first, second, and third quarter credits was included as pledges and grants receivable on the statements of financial position. Revenue was recognized for the ERC funds in the fiscal year the credits related to and was recorded as other income on the statements of activities. During the year ended June 30, 2023, MBF received the full ERC amount.

Other income is recorded when earned. Expenses are recorded when incurred, in accordance with the accrual basis of accounting.

FUNCTIONAL ALLOCATION OF EXPENSES

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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

In 2016, Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842 of the ASC). The amendments in this update require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. Some of MBF's contracts contain the right to control the use of property and equipment and are therefore considered leases. MBF elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements* and recorded the impact of adoption as of July 1, 2022, without restating any prior-year amounts. MBF's leases are immaterial to the financial statements; therefore, the lease assets are included in prepaid expenses and other assets and the lease liabilities are included in other liabilities on the statements of financial position.

MEDICAL BENEVOLENCE FOUNDATION

Notes to Financial Statements

June 30, 2023 and 2022

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects MBF's financial assets reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	June 30,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 409,624	\$ 1,494,037
Investments	11,663,022	9,655,289
Pledges and grants receivable	156,015	362,399
Board designated cash	384,080	602,000
Board designated investments	217,920	-
Cash restricted for long-term purposes	25,000	47,561
Assets held for another organization	1,465,003	1,291,914
Financial assets, at year-end	14,320,664	13,453,200
Less those unavailable for general expenditures within one year, due to:		
Assets held in perpetuity for endowment not expected to be appropriated within one year	(4,478,419)	(4,448,983)
Assets held for another organization	(1,465,003)	(1,291,914)
Contributions with donor restrictions where purpose or time restriction is not expected to be fulfilled within one year	(2,606,404)	(2,297,601)
Board designated cash	(384,080)	(602,000)
Board designated investments	(217,920)	-
Cash restricted for long-term purposes	(25,000)	(47,561)
Pledges and grants receivable not collectable within one year	(85,037)	(70,000)
	(9,261,863)	(8,758,059)
Financial assets available within one year to meet cash needs for general expenditures	\$ 5,058,801	\$ 4,695,141

MBF currently maintains substantially all of its assets in the form of cash and cash equivalents to ensure that amounts are available to pay its program and other general expenditures, liabilities, and other obligations as they come due.

MEDICAL BENEVOLENCE FOUNDATION

Notes to Financial Statements

June 30, 2023 and 2022

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 in active markets for identical holdings
- Level 2 – Significant observable market-based inputs, other than Level 1 quoted prices, or unobservable inputs that are corroborated by market data
- Level 3 – Significant unobservable inputs that are not corroborated by observable market data

An asset'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, 2023 and 2022.

Investments in balanced mutual funds, U.S. Government debt securities, 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.

Charitable gift annuities (Level 2) are 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%.

MBF's investments in pooled funds 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.

MEDICAL BENEVOLENCE FOUNDATION

Notes to Financial Statements

June 30, 2023 and 2022

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued:

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.

Fair values of assets measured on a recurring basis at June 30, 2023 are:

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mutual funds	\$ 659,062	\$ 659,062	\$ -	\$ -
Exchange-traded funds	4,975,975	4,975,975	-	-
U.S. Government debt securities	3,416,345	-	3,416,345	-
Charitable gift annuities	23,690	-	23,690	-
	<u>\$ 9,075,072</u>	<u>\$ 5,635,037</u>	<u>\$ 3,440,035</u>	<u>\$ -</u>

Investments measured at net asset value (NAV):

Pooled funds 2,786,196

Investments held at cost or contract value:

Cash and certificates
of deposit 1,484,677

Total investments, board designated

investments, and assets held
for another organization \$ 13,345,945

MEDICAL BENEVOLENCE FOUNDATION

Notes to Financial Statements

June 30, 2023 and 2022

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued:

Fair values of assets measured on a recurring basis at June 30, 2022 are:

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mutual funds	\$ 1,398,217	\$ 1,398,217	\$ -	\$ -
Exchange-traded funds	4,331,643	4,331,643	-	-
U.S. Government debt securities	1,560,936	-	1,560,936	-
Charitable gift annuities	35,560	-	35,560	-
	\$ 7,326,356	\$ 5,729,860	\$ 1,596,496	\$ -

Investments measured at net asset value (NAV):

Pooled funds 2,391,888

Investments held at cost or contract value:

Cash and certificates
of deposit 1,228,959

Total investments, board designated

investments, and assets held
for another organization \$ 10,947,203

5. BOARD DESIGNATED NET ASSETS:

The Board of Trustees has designated excess contributions to a reserve fund for future operations of MBF. Earnings are to be used towards the operations of MBF. The balance of the reserve fund designated by the Board of Trustees totaled \$602,000, at June 30, 2023 and 2022 and was made up of cash and investments.

MEDICAL BENEVOLENCE FOUNDATION

Notes to Financial Statements

June 30, 2023 and 2022

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	June 30,	
	<u>2023</u>	<u>2022</u>
Restrictions for worldwide medical missions:		
Malawi	\$ 2,205,607	\$ 2,196,480
Haiti	250,078	120,840
Congo	198,257	234,202
Kenya	62,158	96,864
Other non-core countries	319,910	370,911
Non-country specific medical missions projects	<u>1,034,835</u>	<u>805,234</u>
	4,070,845	3,824,531
Assets restricted in perpetuity for endowment funds	4,699,419	4,679,928
Unappropriated earnings on endowment funds	1,107,888	723,345
Interest in annuities	24,945	35,559
Pledges or grants receivable without purpose restrictions	<u>86,005</u>	<u>30,000</u>
	<u>\$ 9,989,102</u>	<u>\$ 9,293,363</u>

MEDICAL BENEVOLENCE FOUNDATION

Notes to Financial Statements

June 30, 2023 and 2022

7. ENDOWMENT FUNDS:

MBF has elected under the Texas Uniform Prudent Management of Institutional Funds Act (“Texas UPMIFA”) to preserve 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 election, MBF classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with Texas UPMIFA, MBF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of MBF and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of MBF
- The investment policies of MBF

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. MBF 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, MBF 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). MBF 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.

As of June 30, 2023 and 2022, the endowment net assets were composed entirely of net assets with donor restrictions.

MEDICAL BENEVOLENCE FOUNDATION

Notes to Financial Statements

June 30, 2023 and 2022

7. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2023:

	Original gift amount	Accumulated gains (losses) and other	Total funds
Endowment net assets, beginning of year	\$ 4,679,928	\$ 723,345	\$ 5,403,273
Investment gain, net	12,278	544,197	556,475
Contributions	11,213	-	11,213
Amounts appropriated for expenditure	(4,000)	(159,654)	(163,654)
	19,491	384,543	404,034
Endowment net assets, end of year	\$ 4,699,419	\$ 1,107,888	\$ 5,807,307

Changes in endowment net assets for the year ended June 30, 2022:

	Original gift amount	Accumulated gains (losses) and other	Total funds
Endowment net assets, beginning of year (as restated)	\$ 4,527,835	\$ 2,525,267	\$ 7,053,102
Investment loss, net	(17,127)	(856,023)	(873,150)
Contributions	171,220	-	171,220
Amounts appropriated for expenditure	(2,000)	(945,899)	(947,899)
	152,093	(1,801,922)	(1,649,829)
Endowment net assets, end of year	\$ 4,679,928	\$ 723,345	\$ 5,403,273

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Texas UPMIFA requires MBF to retain as a fund of perpetual duration. As of June 30, 2023 and 2022, no such deficiencies of this nature existed.

MEDICAL BENEVOLENCE FOUNDATION

Notes to Financial Statements

June 30, 2023 and 2022

8. CONTRIBUTED MEDICAL SUPPLIES AND EQUIPMENT:

MBF recognizes contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets do not have donor-imposed restrictions. Contributed medical supplies and equipment consisted of:

	June 30,	
	2023	2022
Pharmaceuticals	\$ 2,731,144	\$ 2,852,591
Medical supplies	73,464	160,493
Medical equipment	4,392	76,920
	<u>\$ 2,809,000</u>	<u>\$ 3,090,004</u>

MBF shipped all pharmaceuticals, medical supplies, and medical equipment to overseas ministry partners during the years ended June 30, 2023 and 2022. These goods were utilized in international health services and natural disaster services as part of MBF's worldwide medical missions programs.

9. EMPLOYEE BENEFIT PLAN:

MBF maintains a 401(k) retirement plan. This plan is open to full time employees of MBF. The participants are 100% vested in these contributions immediately. Under the plan, the Foundation matches employee contributions subject to certain limitations. MBF's contributions to the plan totaled approximately \$49,000 and \$40,000, for the years ended June 30, 2023 and 2022, respectively.

10. RELATED PARTY TRANSACTIONS:

During the years ended June 30, 2023 and 2022, MBF received donations from board members, senior management, and their families totaling approximately \$56,000 and \$38,000, respectively.

11. CONTRIBUTIONS CONCENTRATION:

During the years ended June 30, 2023 and 2022, MBF received donations from a foundation that totaled approximately \$1,035,000 and \$1,085,000, respectively. These gifts accounted for approximately 26% and 32% of total contributions for the years ended June 30, 2023 and 2022, respectively.

12. SERVICE AGREEMENT:

During the year ended June 30, 2022, MBF contracted with another organization for consulting services. During the year ended June 30, 2023, the contract was extended through July 2024. Total expenses incurred during the years ended June 30, 2023 and 2022 by MBF related to this agreement were \$238,000 and \$55,000, respectively. MBF expects to pay at least \$194,000 and \$10,000 in accordance with the terms of the agreement during the years ending June 30, 2024 and 2025, respectively.

MEDICAL BENEVOLENCE FOUNDATION

Notes to Financial Statements

June 30, 2023 and 2022

13. SUBSEQUENT EVENTS:

Subsequent to June 30, 2023, MBF was notified by the foundation mentioned in Note 11 that it would not be providing funding to MBF for the following fiscal year. While this foundation has historically provided a significant percentage of MBF's total contributions revenue, MBF management has adjusted fiscal year 2024 budgeted expenses and grant disbursements in anticipation of this change.

Subsequent events were evaluated through October 25, 2023, which is the date the financial statements were available to be issued.