

**MEDSHARE INTERNATIONAL, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2008
INDEPENDENT ACCOUNTANT'S REPORT**

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INDEPENDENT ACCOUNTANT'S REPORT

Board of Directors
MedShare International, Inc.
3240 Clifton Springs Road
Decatur, GA 30034

We have audited the accompanying Statement of Financial Position of MedShare International, Inc. (a non-profit organization) as of December 31, 2007 and 2008 and the related Statements of Activities and Changes in Net Assets, and Cash Flows for the years then ended. These financial statements are the responsibility of MedShare International, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MedShare International, Inc. as of December 31, 2007 and 2008 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

R. Michael LaBounty & Associates, P.C.

Atlanta, Georgia
March 7, 2009

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2007 AND 2008

	2007	2008
ASSETS		
CURRENT ASSETS:		
Cash	\$ 258,473	\$ 266,437
Money market funds	664,577	585,741
Pledges receivable	1,609,617	1,510,796
Inventory	5,611,512	8,230,116
Prepaid expenses	8,870	32,238
Other	<u>21,566</u>	<u>117,074</u>
Total current assets	<u>8,174,615</u>	<u>10,742,402</u>
PROPERTY & EQUIPMENT (NOTE 1):		
Land	340,552	340,552
Building	1,585,723	1,585,723
Furniture and equipment	167,143	274,865
Accumulated depreciation	<u>(154,818)</u>	<u>(242,197)</u>
Property & equipment - net	<u>1,938,600</u>	<u>1,958,943</u>
OTHER ASSETS:		
Deposit	<u>-</u>	<u>20,976</u>
Total Assets	<u>\$ 10,113,215</u>	<u>\$ 12,722,321</u>

SEE ACCOMPANYING NOTES

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2007 AND 2008

	2007	2008
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 39,886	\$ 112,179
Deferred reveue	-	70,200
Deferred rent	-	21,998
Current portion of long-term debt	<u>6,269</u>	<u>10,088</u>
Total current liabilities	<u>46,155</u>	<u>214,465</u>
LONG - TERM DEBT	<u>383,108</u>	<u>371,108</u>
NET ASSETS:		
Unrestricted	7,552,164	10,274,236
Temporarily restricted	<u>2,131,788</u>	<u>1,862,512</u>
Total net assets	<u>9,683,952</u>	<u>12,136,748</u>
Total liabilities and net assets	<u>\$ 10,113,215</u>	<u>\$ 12,722,321</u>

SEE ACCOMPANYING NOTES

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
AS OF DECEMBER 31, 2007 AND 2008

	2007	2008
Changes in Unrestricted Net Assets:		
Revenues and Support		
Grants & Contributions	\$ 483,870	\$ 732,979
In-Kind Contributions		
Equipment and Supplies	12,912,580	14,631,437
Professional Services	229,040	153,616
Other Income	<u>18,770</u>	<u>16,650</u>
Total Revenues and Support	<u>13,644,260</u>	<u>15,534,682</u>
Net Assets Released from Restrictions	<u>3,398,593</u>	<u>1,789,264</u>
Operating Expenses:		
Program Expenses	14,860,739	13,947,538
Fundraising Expenses	216,858	333,687
General and Administrative Expenses	<u>154,512</u>	<u>320,649</u>
Total Operating Expenses	<u>15,232,109</u>	<u>14,601,874</u>
Increase in Unrestricted Net Assets	<u>1,810,744</u>	<u>2,722,072</u>
Changes in Temporarily Restricted Net Assets		
Contributions for Specific Projects	2,655,608	1,519,988
Net Assets Released from Restrictions	<u>(3,398,593)</u>	<u>(1,789,264)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(742,985)</u>	<u>(269,276)</u>
Increase in Net Assets	1,067,759	2,452,796
Net Assets at Beginning of Period	<u>8,616,193</u>	<u>9,683,952</u>
Net Assets at End of Period	\$ <u><u>9,683,952</u></u>	\$ <u><u>12,136,748</u></u>

SEE ACCOMPANYING NOTES

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
AS OF DECEMBER 31, 2007 AND 2008

Year Ended December 31, 2007

	<u>Program Services</u>	<u>Fundraising</u>	<u>General & Administrative</u>	<u>Total Supporting Services</u>	<u>Total</u>
Equipment & supplies shipped	\$ 13,136,386	\$ 0	\$ 0	\$ 0	\$ 13,136,386
Personnel	822,657	155,548	89,065	244,612	1,067,269
Occupancy	71,867	741	1,482	2,223	74,090
Shipping	412,150	0	0	0	412,150
Professional fees	218,689	23,600	40,151	63,751	282,440
Insurance	33,703	259	2,588	2,847	36,550
Depreciation	69,989	482	3,964	4,446	74,435
Office expenses	19,991	5,157	14,060	19,217	39,208
Marketing	0	30,081	0	30,081	30,081
Other expenses	11,211	0	1,874	1,874	13,085
Travel	34,080	682	709	1,391	35,471
Interest	30,016	309	619	928	30,944
Total expenses	<u>\$ 14,860,739</u>	<u>\$ 216,858</u>	<u>\$ 154,512</u>	<u>\$ 371,370</u>	<u>\$ 15,232,109</u>

Year Ended December 31, 2008

	<u>Program Services</u>	<u>Fundraising</u>	<u>General & Administrative</u>	<u>Total Supporting Services</u>	<u>Total</u>
Equipment & supplies shipped	\$ 11,885,049	\$ 0	\$ 0	\$ 0	\$ 11,885,049
Personnel	1,010,965	245,857	154,591	400,448	1,411,413
Occupancy	167,554	1,727	3,455	5,182	172,736
Shipping	565,954	0	0	0	565,954
Professional fees	79,750	49,500	107,750	157,250	237,000
Insurance	46,057	406	2,481	2,887	48,944
Depreciation	84,757	874	1,748	2,622	87,379
Office expenses	53,642	10,892	34,048	44,940	98,582
Marketing	0	16,875	0	16,875	16,875
Other expenses	6,052	860	1,329	2,189	8,241
Travel	27,313	6,274	15,036	21,310	48,623
Interest	20,445	422	211	633	21,078
Total expenses	<u>\$ 13,947,538</u>	<u>\$ 333,687</u>	<u>\$ 320,649</u>	<u>\$ 654,336</u>	<u>\$ 14,601,874</u>

SEE ACCOMPANYING NOTES

MEDSHARE INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
AS OF DECEMBER 31, 2007 AND 2008

	2007	2008
Cash Flows Provided by (Used by) Operating Activities:		
Increase in Net Assets:	\$ 1,067,759	\$ 2,452,796
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	74,435	87,379
Loss on disposal of assets	1,609	-
Decrease in pledges receivable	978,633	98,821
(Increase) Decrease in inventory	227,056	(2,618,604)
(Increase) Decrease in prepaid expense	10,390	(23,368)
(Increase) in other current assets	(13,241)	(95,508)
(Increase) Decrease in other assets	12,529	(20,976)
Increase (Decrease) in accounts payable	(23,783)	72,293
Increase in Deferred Revenue	-	70,200
Increase in Deferred Rent	-	21,998
	<u>2,335,387</u>	<u>45,031</u>
Cash Flows Provided by (Used by) Investing Activities:		
Purchase of Property and Equipment	<u>(1,947,982)</u>	<u>(107,722)</u>
Cash Flows Provided by (Used by) Financing Activities:		
Increase (Decrease) in Long Term Debt (net)	<u>389,377</u>	<u>(8,181)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>776,782</u>	<u>(70,872)</u>
Cash and Cash Equivalents at Beginning of Period	<u>146,268</u>	<u>923,050</u>
Cash and Cash Equivalents at End of Period	<u>\$ 923,050</u>	<u>\$ 852,178</u>
Other Supplemental Information		
Interest Paid	<u>\$ 30,944</u>	<u>\$ 21,078</u>
Income Taxes Paid	<u>\$ 0</u>	<u>\$ 0</u>

SEE ACCOMPANYING NOTES

MEDSHARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008

Note 1 - Summary of Significant Accounting Principles

This Summary of Significant Accounting Policies of MedShare International, Inc. is presented to assist in understanding its financial statements.

Nature of Activities

MedShare International, Inc. (the "Organization") was incorporated in December, 1998. The Organization is dedicated to recycling surplus medical supplies and equipment for use by healthcare institutions primarily in Central America and Africa. To achieve this mission, MedShare International, Inc. collects supplies and equipment that are still valuable but no longer in demand in the United States due to procedural excess, technological change, regulatory requirements, or production overage. MedShare International, Inc. then arranges for the shipment and distribution of these items to healthcare facilities in the targeted developing countries. The Organization operates out of a 48,500 square foot warehouse facility in Decatur, Georgia and a 32,472 square foot warehouse facility in San Leandro, California.

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Public Support and Revenue

Unconditional promises to give are recorded as received. Unconditional grants due in the next year are reflected as receivables and are recorded at their net realizable value. Contributions of non-cash assets are recorded at their fair values in the period received. The Organization is supported primarily by private contributions.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

MEDSHARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008

Note 1 - Summary of Significant Accounting Principles (Continued)

Inventory

Inventory is stated at the lower of cost or market on a specific identification basis.

Property and Equipment

Property and equipment are carried at cost. Depreciation is provided using a straight-line method over periods from five to forty years. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense for the years ended December 31, 2007 and 2008 was \$74,435 and \$87,379, respectively.

Cash & Cash Equivalents

Cash and cash equivalents include all highly liquid investments purchased with an original maturity of three months or less. Market value approximates carrying amount.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended December 31, 2007 and 2008, the Organization did not have any unrelated business income, and accordingly, no unrelated business income tax.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the year ended December 31, 2007 and 2008, many individuals volunteered their time in support of the Organization's programs. The individuals' time did not meet the above criteria to be recorded as contributions in the financial statements. However, the Organization does receive professional services that meet these criteria. The value of these services was \$229,040 and \$153,616 for 2007 and 2008, respectively.

MEDSHARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008

Note 1 - Summary of Significant Accounting Principles (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

Note 2 – Building Purchase

In January 2007, the Organization purchased its warehouse facility in Decatur, Georgia for \$1,843,000 plus closing costs. The Organization borrowed \$500,000 from a local bank and used Capital Campaign funds to pay for the building. The loan payments are being amortized over 25 years at prime plus 0.25%. The current interest rate is 4.25%. The loan agreement requires a balloon payment of the remaining principal on February 1, 2012. At December 31, 2008, the scheduled maturities of these notes payable over the next five years are as follows:

Year ended December 31,	
2009	\$ 10,088
2010	10,525
2011	10,982
2012	<u>349,601</u>
Total	\$ <u>381,196</u>

Note 3 - Concentration of Risk

The Organization maintains cash balances at several financial institutions. The account balances (as reflected in the Organization's records) are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). There were no balances in excess of the FDIC limit at December 31, 2008. Management believes that the quality of the financial institutions with which these amounts are deposited render the risk of loss minimal.

MEDSHARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008

Note 4 – Lease Commitment

As of August 2008 the Organization leases space for its operations in California under the terms of a non-cancelable lease agreement expiring July 2013. Rent expense for the year ended December 31, 2008 was \$61,800. Future minimum lease payments over the remaining term of the leases as of December 31, 2008 are as follows:

Year Ending December 31,	
2009	\$ 178,495
2010	223,500
2011	230,204
2012	237,110
2013	<u>140,707</u>
	<u>\$ 1,010,016</u>

Note 5 – Line of Credit

The Organization has a line of credit with a commercial bank that allows the Organization to borrow up to \$300,000. Any amounts borrowed are secured by the Organization's inventory. The interest rate on any borrowing is prime plus 0.25 percent. As of December 31, 2008, there was no outstanding balance.

Note 6 Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of contributions the Organization has received subject to donor-imposed restrictions consisting of the following at December 31:

	2007	2008
Container Sponsorships & Operating Grants	\$ 1,052,732	\$ 1,051,830
Capital Campaign	1,043,764	753,543
Other	<u>35,292</u>	<u>57,139</u>
Total temporarily restricted net assets	<u>\$ 2,131,788</u>	<u>\$ 1,862,512</u>

Net assets totaling \$3,398,593 and \$1,789,264, respectively were released from donor restrictions during the years ended December 31, 2007 and 2008.