

Medical Benevolence Foundation

FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS

June 30, 2015 and 2014



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June 30, 2015 and 2014**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Medical Benevolence Foundation
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Medical Benevolence Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Medical Benevolence Foundation as of June 30, 2015 and 2014, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015, on our consideration of Medical Benevolence Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Medical Benevolence Foundation's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Houston, Texas
October 16, 2015

Medical Benevolence Foundation
Statements of Financial Position

<i>June 30,</i>	2015	2014
Assets		
Assets		
Cash and cash equivalents	\$ 1,608,895	\$ 1,888,601
Receivables		
Presbyterian Church USA (ECO)	18,527	13,432
Other receivables	3,626	1,503
Prepaid expenses and other assets	5,193	19,791
Investments	6,105,212	6,031,775
Total assets	\$ 7,741,453	\$ 7,955,102
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 30,668	\$ 26,556
Commitments and contingencies		
Net assets		
Unrestricted	147,829	349,312
Temporarily restricted	2,833,408	2,829,977
Permanently restricted	4,729,548	4,749,257
Total net assets	7,710,785	7,928,546
Total liabilities and net assets	\$ 7,741,453	\$ 7,955,102

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

Medical Benevolence Foundation
Statement of Activities and Changes in Net Assets

For the year ended June 30,

2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions	\$ 1,070,189	\$ 1,148,406	\$ 45,691	\$ 2,264,286
Contributions of medical supplies and equipment	943,017	-	-	943,017
Grants and awards	622,338	-	-	622,338
Investment income (loss)	32,059	162,894	(65,400)	129,553
Net assets released from restrictions				
Expenditures for program purposes	1,307,869	(1,307,869)	-	-
Total revenues	3,975,472	3,431	(19,709)	3,959,194
Expenses				
Program services				
Worldwide medical missions	1,348,855	-	-	1,348,855
Supplies and equipment	948,800	-	-	948,800
Grants for medical missions	637,664	-	-	637,664
Mission education	341,903	-	-	341,903
Volunteer program	7,581	-	-	7,581
Total program expenses	3,284,803	-	-	3,284,803
General and administrative	737,364	-	-	737,364
Fundraising	154,788	-	-	154,788
Total expenses	4,176,955	-	-	4,176,955
Changes in net assets	(201,483)	3,431	(19,709)	(217,761)
Net assets, beginning of year	349,312	2,829,977	4,749,257	7,928,546
Net assets, end of year	\$ 147,829	\$ 2,833,408	\$ 4,729,548	\$ 7,710,785

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

Medical Benevolence Foundation
Statement of Activities and Changes in Net Assets

<i>For the year ended June 30,</i>	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues				
Contributions	\$ 1,326,170	\$ 1,864,583	\$ 47,123	\$ 3,237,876
Contributions of medical supplies and equipment	248,028	-	-	248,028
Grants and awards	1,345,461	-	-	1,345,461
Investment income	158,408	565,534	6,754	730,696
Transfer to Permanent Endowment	(12,036)	(415,706)	427,742	-
Net assets released from restrictions				
Expenditures for program purposes	708,852	(708,852)	-	-
Total revenues	3,774,883	1,305,559	481,619	5,562,061
Expenses				
Program services				
Worldwide medical missions	1,001,446	-	-	1,001,446
Supplies and equipment	254,101	-	-	254,101
Grants for medical missions	1,431,979	-	-	1,431,979
Mission education	278,559	-	-	278,559
Volunteer program	51,805	-	-	51,805
Total program expenses	3,017,890	-	-	3,017,890
General and administrative	736,119	-	-	736,119
Fundraising	165,963	-	-	165,963
Total expenses	3,919,972	-	-	3,919,972
Changes in net assets	(145,089)	1,305,559	481,619	1,642,089
Net assets, beginning of year	494,401	1,524,418	4,267,638	6,286,457
Net assets, end of year	\$ 349,312	\$ 2,829,977	\$ 4,749,257	\$ 7,928,546

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>	2015	2014
Operating activities		
Changes in net assets	\$ (217,761)	\$ 1,642,089
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Contributions restricted for endowments	(45,691)	(47,123)
Unrealized and realized gain on investments	(66,855)	(615,377)
Loss (gain) on beneficial interests in charitable gift annuities	66,524	(23,680)
Changes in operating assets and liabilities		
Receivables	(7,218)	6,293
Prepaid expenses and other assets	14,598	9,241
Accounts payable and accrued expenses	4,112	(54,398)
Net cash (used in) provided by operating activities	(252,291)	917,045
Investing activities		
Purchase of investments	(249,285)	(407,073)
Sales of investments	176,179	185,755
Net cash used in investing activities	(73,106)	(221,318)
Financing activities		
Proceeds from contributions restricted for endowments	45,691	47,123
Net change in cash and cash equivalents	(279,706)	742,850
Cash and cash equivalents, beginning of year	1,888,601	1,145,751
Cash and cash equivalents, end of year	\$ 1,608,895	\$ 1,888,601

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

Medical Benevolence Foundation

Notes to Financial Statements

NOTE 1: ORGANIZATION

Medical Benevolence Foundation (the “Foundation”) is a Tennessee non-profit corporation founded in 1963 to support the medical programs of the General Assembly of the Presbyterian Church U.S.A. (“PCUSA”) in foreign countries through a covenant relationship. The Foundation receives gifts from contributors throughout the United States of America. Medical Benevolence Foundation with the Presbyterian Church as part of the larger body of Christ demonstrates the gospel of Jesus Christ by encouraging and participating in the healing ministries of our worldwide partners.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

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

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

Cash Equivalents

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

Receivables

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

Medical Benevolence Foundation

Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Investment Return

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

Interest in charitable gift annuities is valued at the present value of the estimated expected future benefits. Changes in interest in charitable gift annuities are reported in investment return as increases or decreases in unrestricted, temporarily restricted, or permanently restricted net assets based on donor restrictions at the time of the gift.

Contributions

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

Government Grant Revenue

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

Non-Cash Contributions

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

Income Tax

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

Medical Benevolence Foundation Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation has determined there are no uncertain tax positions that require recognition or disclosure in the accompanying financial statements. As of June 30, 2015, management believes there were no uncertain tax positions.

Concentration of Credit Risk

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

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

During 2014, the Foundation received 38% of its contributions from one donor.

Fair Value Considerations

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

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

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

Medical Benevolence Foundation Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Subsequent Events

The Foundation has evaluated subsequent events through the date the financial statements were available for issuance on October 16, 2015. No matters were identified affecting the accompanying financial statements or disclosures.

NOTE 3: FAIR VALUE MEASUREMENTS

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

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

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

Investments in balanced mutual funds, bond securities (except for government agency obligations), and equity securities are included in Level 1 as they are currently traded in active markets.

Interest in charitable gift annuities (Level 2) is measured at the fair value of the account less the estimated actuarial liability necessary to meet future payments to the life income beneficiaries. The rate of return on investments used to calculate the charitable interest was approximately 4%.

Medical Benevolence Foundation Notes to Financial Statements

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

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

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

The Foundation manages its investments by the nature of the underlying securities regardless of the ownership vehicle. During 2015, management became aware of additional information regarding its underlying assets in certain funds and changed the fair value level to provide clearer understanding of the nature of the underlying investments. The 2014 table has been reclassified to conform to the 2015 presentation.

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

	Quoted Market Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3
June 30, 2015:			
Balanced mutual funds	\$ 1,850,047	\$ -	\$ -
Pooled funds by Texas Presbyterian Foundation			
TPF Balanced Fund	-	500,848	-
TPF Emerging Markets Equity Fund	-	96,584	-
TPF International Equity Fund	-	336,274	-
TPF Large Cap Equity Fund	-	1,065,262	-
TPF Small Cap Equity Fund	-	389,867	-
Bond securities	1,590,072	40,116	-
Equity securities	185,160	-	-
Interest in charitable gift annuities	-	50,982	-
Total investments	\$ 3,625,279	\$ 2,479,933	\$ -

Medical Benevolence Foundation Notes to Financial Statements

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

	Quoted Market Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3
June 30, 2014:			
Balanced mutual funds	\$ 1,796,526	\$ -	\$ -
Pooled funds by Texas Presbyterian Foundation			
TPF Balanced Fund	-	494,722	-
TPF Emerging Markets Equity Fund	-	105,396	-
TPF International Equity Fund	-	347,250	-
TPF Large Cap Equity Fund	-	1,000,180	-
TPF Small Cap Equity Fund	-	366,192	-
Bond securities	1,591,332	40,783	-
Equity securities	171,888	-	-
Interest in charitable gift annuities	-	117,506	-
Total investments	\$ 3,559,746	\$ 2,472,029	\$ -

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

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

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

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

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

Medical Benevolence Foundation
Notes to Financial Statements

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

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

<i>June 30,</i>	2015	2014
Realized and unrealized gains on investments	\$ 66,855	\$ 615,377
Interest and dividends	62,698	115,319
Total investment return	\$ 129,553	\$ 730,696

NOTE 4: DESIGNATED NET ASSETS

The Board designated a specific contribution to a reserve fund (Fund) for future operations of the Foundation. This Fund is held in a separate investment account and the balance of this Fund will be the balance in the account. Earnings are to be used towards the operations of the Foundation. The balance of the investment account designated by the Board at June 30, 2015 and 2014 totaled \$8,697 and \$210,789, respectively.

NOTE 5: RESTRICTIONS OF NET ASSETS

Temporarily restricted net assets are available for the following purposes:

<i>June 30,</i>	2015	2014
Worldwide medical missions	\$ 2,127,461	\$ 2,146,670
Accumulated undistributed earnings on endowment assets	705,947	683,307
Total temporarily restricted net assets	\$ 2,833,408	\$ 2,829,977

Medical Benevolence Foundation Notes to Financial Statements

NOTE 5: RESTRICTIONS OF NET ASSETS (Continued)

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

<i>June 30,</i>	2015	2014
Lingenfelter Memorial Fund	\$ 227,072	\$ 227,072
Kikuyu Rehabilitation Center Endowment	221,803	221,803
Dan Force Endowment	150,570	150,570
Charles Thomas Harper Endowment	121,553	121,553
Indigenous Health Care Worker Education Fund	3,183,153	3,183,153
Friends of IMCK Endowment	251,837	206,146
Dan Alexander Dunaway Fund	434,188	434,188
Other	139,372	204,772
Total permanently restricted net assets	\$ 4,729,548	\$ 4,749,257

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).

In September 2013, at the donor's request, \$415,706 was transferred from temporarily restricted net assets to permanently restricted net assets. The investment return from the Dan Alexander Dunaway Fund is to be used to support medical missionaries. Further, an annuity totaling \$12,036 was transferred in 2013 from unrestricted net assets to permanently restricted net assets at the donor's request to be included in the Foundation's endowment to support their mission.

NOTE 6: ENDOWMENT FUNDS

The Board of Trustees of the Foundation has interpreted the Texas Uniform Prudent Management of Investment Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment. The net accumulations to the endowment assets are classified as unrestricted and temporarily restricted, or if the endowment assets are permanently restricted charitable gift annuities, then the net accumulations are classified as permanently restricted until the annuity has reached its term and been converted into cash.

Medical Benevolence Foundation Notes to Financial Statements

NOTE 6: ENDOWMENT FUNDS (Continued)

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

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing powers of the endowment assets. To satisfy the long term objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversification asset allocation that places an emphasis on a blend of equity-based investments and fixed income investments to achieve its long-term return objectives' within prudent risk constraints.

Endowment funds by net asset classification are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2015				
Donor-Restricted endowment funds	\$ 139,132	\$ 705,947	\$ 4,729,548	\$ 5,574,627
Board Designated funds	8,697	-	-	8,697
Total Funds	\$ 147,829	\$ 705,947	\$ 4,729,548	\$ 5,583,324
June 30, 2014				
Donor-Restricted endowment funds	\$ 138,523	\$ 683,307	\$ 4,749,257	\$ 5,571,087
Board Designated funds	210,789	-	-	210,789
Total Funds	\$ 349,312	\$ 683,307	\$ 4,749,257	\$ 5,781,876

Changes in Endowment Net Assets for the Years Ended June 30, 2015 and 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 30, 2013	\$ 494,401	\$ 251,268	\$ 4,267,638	\$ 5,013,307
Investment income	157,444	565,534	6,754	729,732
Contributions	-	-	47,123	47,123
Transfer of balances	(12,036)	-	427,742	415,706
Amounts appropriated for expenditure	(290,497)	(133,495)	-	(423,992)
Endowment Net Assets, June 30, 2014	\$ 349,312	\$ 683,307	\$ 4,749,257	\$ 5,781,876

Medical Benevolence Foundation Notes to Financial Statements

NOTE 6: ENDOWMENT FUNDS (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 30, 2014	\$ 349,312	\$ 683,307	\$ 4,749,257	\$ 5,781,876
Investment income (loss)	32,059	162,894	(65,400)	129,553
Contributions	-	-	45,691	45,691
Amounts appropriated for expenditure	(233,542)	(140,254)	-	(373,796)
Endowment Net Assets, June 30, 2015	\$ 147,829	\$ 705,947	\$ 4,729,548	\$ 5,583,324

NOTE 7: CONTRIBUTED SERVICES AND MATERIALS

For the years ended June 30, 2015 and 2014, the Foundation recorded \$7,581 and \$51,285, respectively, in contributed services from various doctors of differing specialties, a software programmer, and a business professional which is included in contributions in the accompanying statements of activities and changes in net assets.

For the years ended June 30, 2015 and 2014, the Foundation recorded donated medical supplies and equipment of \$943,017 and \$248,028, 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 and changes in net assets because the criteria for recognition have not been satisfied.

NOTE 8: FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE 9: RELATED PARTY TRANSACTIONS

In support of the medical programs of the General Assembly of PCUSA, the Foundation has formed a covenant relationship to carry out the work of international medical missions as partners within the framework of PCUSA. This includes financial support of health related mission personnel and funding for equipment and technical assistance. The Foundation remits certain restricted contributions to PCUSA for distribution in accordance with donor restrictions. In 2015 and 2014, approximately \$47,000 and \$58,000, respectively, was remitted to PCUSA and recorded as worldwide medical missions' expense in these financial statements.

Medical Benevolence Foundation Notes to Financial Statements

NOTE 9: RELATED PARTY TRANSACTIONS (Continued)

Additionally, PCUSA receives Extra Commitment Opportunity Funds from donors on behalf of the Foundation and holds the funds until the Foundation requests disbursement. As of June 30, 2015 and 2014, PCUSA has \$18,527 and \$13,432, respectively in Extra Commitment Opportunity Funds for the Foundation.

NOTE 10: OPERATING LEASES

The Foundation leases office space and office equipment through operating leases expiring through November 2018. Rental expense for all operating leases totaled approximately \$57,000 each for the years ended June 30, 2015 and 2014.

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

<i>Year ending June 30,</i>	
2016	\$ 48,928
2017	24,518
2018	2,951
Total	\$ 76,397

NOTE 11: EMPLOYEE BENEFIT PLAN

The Foundation maintains a multi-employer 401(k) retirement plan. This plan is open to full-time ordained and lay employees of the Foundation. The Foundation contributes a Safe Harbor non-elective 3% of eligible employees' compensation and a 6% discretionary contribution. The participants are 100% vested in these contributions after two years. The Foundation's contributions to this plan totaled approximately \$59,000 and \$49,000 in 2015 and 2014, respectively.



SINGLE AUDIT

**Medical Benevolence Foundation
Schedule of Expenditures of Federal Awards**

For the year ended June 30, 2015

Grantor/Pass-Through Grantor/ Title	Federal CFDA Number	Pass-through Grantor's I.D. Number	Grant Period	Program or Award Amount	Expenditures
FEDERAL AWARDS:					
U.S. Agency for International Development					
Direct Funding -American Schools and Hospitals Abroad	98.006	AID-ASHA-G-11-00001	9/24/2011 - 12/31/2016	\$ 699,163	\$ 208,158
Direct Funding -American Schools and Hospitals Abroad	98.006	AID-ASHA-G-11-00017	10/1/2012-12/30/2015	400,000	162,511
Direct Funding -American Schools and Hospitals Abroad	98.006	AID-ASHA-A-12-00008	10/1/2012 - 9/30/2016	600,000	251,669
Total U.S. Agency for International Development				\$ 1,699,163	\$ 622,338

See independent auditor's report and accompanying note to Schedule of Expenditures of Federal Awards



Medical Benevolence Foundation Note to Schedule of Expenditures of Federal Awards

NOTE 1: BASIS FOR PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Medical Benevolence Foundation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Medical Benevolence Foundation
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Medical Benevolence Foundation, a Tennessee non-profit Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
October 16, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Medical Benevolence Foundation
Houston, Texas

Report on Compliance for the Major Federal Program

We have audited Medical Benevolence Foundation's, a Tennessee non-profit Foundation, (the "Foundation") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2015. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance on the Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Foundations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on the Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Houston, Texas
October 16, 2015

**Medical Benevolence Foundation
Schedule of Findings and Questioned Costs**

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
· Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
· Significant Deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no
<u>Federal Awards</u>		
Internal control over major programs:		
· Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
· Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported
Type of auditors' report issued on compliance for major program:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____ yes	_____ <u>X</u> no
Identification of major programs:		
<u>CFDA Number</u> 98.006	<u>Name of Federal Program</u> American Schools and Hospitals Abroad	
Dollar threshold used to distinguish between Type A and type B programs:	\$300,000	
Auditee qualified as low-risk federal auditee?	_____ yes	_____ <u>X</u> no



**Medical Benevolence Foundation
Schedule of Findings and Questioned Costs (Continued)**

SECTION II: FINANCIAL STATEMENT FINDINGS

None

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None



Medical Benevolence Foundation Summary Schedule of Prior Audit Finding

FINDING 2014-01

Applicable Federal Program: American Schools and Hospitals Abroad, CFDA 98.006

Condition: The American Schools and Hospitals Abroad grant requires financial and time line reporting within thirty days of the close of each quarter. For two of the three reporting periods selected for testing, the reports were not submitted timely.

Auditor's Recommendation: The auditor recommended that management create and maintain a schedule of reporting due dates for all government grants and review progress towards completion of reporting during staff meetings.

Current Status: Corrective action was taken.